

Heathrow Express Operating Company Limited
Annual report and financial statements
for the year ended 31 December 2016

Heathrow Express Operating Company Limited

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	8
Independent auditor's report	9
Financial statements	
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13

Heathrow Express Operating Company Limited

Officers and professional advisers

Directors

Ross Baker
Normand Boivin
Fraser Brown
Simon Earles
Christopher Green
Robert Smallwood

Registered office

The Compass Centre
Nelson Road
Hounslow
Middlesex
TW6 2GW

Independent auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

Barclays Bank plc
Pall Mall Corporate Banking
50 Pall Mall
London
SW1Y 5AX

Heathrow Express Operating Company Limited

Strategic report

Heathrow Express Operating Company Limited (the 'Company') operates the rail service between Heathrow airport and Paddington station, London. Heathrow Airport Limited ("Heathrow") owns all infrastructure (stations, tunnels, rolling stock and track from Heathrow as far as Airport Junction on the Great Western Mainline). Track access charges are paid to Network Rail for use of the track from Airport Junction to London Paddington.

For the period until 31 August 2015, the Company's parent, Heathrow, was entitled to all receipts and income relating to the Company but the day-to-day operation of Heathrow Express and Heathrow Connect was undertaken by the Company on behalf of Heathrow. In return for providing these services, Heathrow paid the Company a management fee and reimbursed all of its operating costs.

For regulatory reasons, from 1 September 2015 the Company was required to operate as a Train Operating Company ("TOC") rather than as a service provider, on an arm's length basis similar to any other UK TOC. In order to effect this change of business practice, a Business Transfer Agreement ("BTA") was signed between the Company and Heathrow, effective from 1 September 2015, which transferred the beneficial ownership of the Heathrow Express and Connect businesses from Heathrow to the Company, for an arm's length consideration which was based on a market valuation for the transaction of £38m. The consideration for the transfer of the business was settled by the Company issuing two ordinary shares of £1 each, at a share premium of £18,999,999 each, to Heathrow. The transfer of business creates an asset in the Company's books which has been classified as a "right to operate" within intangible assets and amortised over 7 years 10 months to 23rd June 2023.

From 1 September 2015, under the terms of the BTA, Heathrow Express retained all revenue income, whilst the infrastructure assets remain with Heathrow. The Company was also required from that date to pay access fees to Heathrow for using the infrastructure in accordance with a set of arm's-length agreements which became binding at the same time as the BTA. The main agreements covered track access and rolling stock operations, wherein the Company pays Heathrow a monthly fee for each service provided, whilst Heathrow pays the Company for certain station management services and inter terminal transfers.

Review of business and future developments

Key events occurring during the year and developments since the beginning of 2016 are detailed below.

The Heathrow Express service carried a total of 5.95 million passengers and Heathrow Connect carried 0.48 million passengers driving a market share of 10.6% (2015: 10.6%). The combined passenger number for both services increased by 1.3% from 6.35 million in 2015 to 6.43 million in 2016. Total Heathrow passenger growth was 1% and the through ticket transfer rate (i.e. passengers who have purchased a 'through-ticket' with the airline, therefore never leaving the airport) decreased 2.2% to 25.8% (2015: to 26.4%).

Between 1 January and 31 August 2015 all passenger fare revenue was transferred to Heathrow Airport Limited and a fee received from Heathrow Airport Limited representing the costs incurred in providing the rail service plus a 10% management fee, net of VAT. From 1 September to 31 December 2015 passenger fare revenue was retained by Heathrow Express Operating Company Limited. Heathrow Express Operating Company Limited retained all passenger fare revenues for the twelve month period from 1st January to 31st December 2016.

Heathrow Express operational performance dropped slightly with punctuality 83.15% (2015: 88.89%). The Public Performance Measure (PPM) for Heathrow Connect was 84.80% (2015: 90.78%). Network Rail infrastructure faults, together with Crossrail works were the key factors in the reduction in performance causing disruptions to the timetable through possession overruns.

Heathrow Express finished second in the National Rail Passenger Survey (Autumn 2016) with an improved overall score of 96% (Autumn 2015: 95%, 2nd position).

During 2016, in light of continuing discussions regarding track access charges payable to Heathrow Airport Limited (a key operating cost), management have revised their expectations of operating costs for the foreseeable future and as a result the carrying value of the intangible asset has been revised to £26.9 million. Consequently, after allowing for amortisation the Company incurred an additional impairment charge of £4.6 million in the year ended 31 December 2016.

During May 2016 the ORR (Office of Rail and Road) reached a decision on the proposed Heathrow track access charging regime. Heathrow Airport Limited has initiated a judicial review of the decision, which is still ongoing and for which the final result is uncertain and cannot be estimated at this stage.

In 2017 the main objective is to continue to grow passenger numbers while planning for the introduction of the new Crossrail service in 2018. Focus is also on continuous improvements to safety with the identification of and implementation of further passenger train interface (PTI) initiatives, as well as further embedding Heathrow Express Operating Company Limited as a separate train operating company.

Heathrow Express Operating Company Limited

Strategic Report continued

Principal risks and uncertainties and risk management

Risk management is a key element of the Heathrow Airport Holdings Limited Group's (the 'Heathrow Airport Holdings Group') corporate operations, of which the Company forms part. Risk is centrally managed from Heathrow Airport Holdings Group as part of the corporate services provided under the Shared Services Agreement ('SSA') (refer to Accounting policies). In addition, the Company has a fully dedicated senior team which implements and manages risk closely. The Executive Committee, Board, Audit Committee ('AC') referred to below relate to the Executive Committee, Board and AC of Heathrow Airport Holdings Limited.

The Heathrow Airport Holdings Group's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Heathrow Airport Holdings Group's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that day-to-day activities are managed effectively and all significant business decisions are risk-informed.

The risk management process is evidenced in risk registers which are used as the basis for regular review of risks and their management, up to Executive Committee level. The risk registers are also used to inform decisions relating to the procurement of insurance cover. The risk management process also supports clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board to ensure statutory compliance whilst supporting business units to successfully manage their operations.

The operation of the risk management process and the individual risk registers are subject to periodic review by the Internal Audit function, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively.

Assurance is provided through the management reporting processes and reports to the AC including the Sustainability and Operational Risk Committee.

The principal corporate and reputational risks as identified by the Executive Committee are:

Safety risks

Health and safety is a core value of the business and the Company actively promotes the role of safety leadership in creating a safety culture that is intolerant of accidents and incidents.

The Company's Safety Management System includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Company's business. The Company also operates robust asset management processes to ensure property and equipment remains safe. Governance, led by the senior management teams and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

Security risks

Security risks are regarded as critical risks to manage throughout the Heathrow Airport Holdings Group. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Heathrow Airport Holdings Group works closely with government agencies including the police and Border Force building a framework to establish joint accountabilities for security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

The Company has a security plan for stations and trains which adhere to regulations laid down by the Government Department of Transport.

Environmental risks

Environmental risk is managed throughout the Heathrow Airport Holdings Group as it has the potential to impact negatively upon the Company's reputation and jeopardise its licence to operate and to grow. The Company controls and mitigates these risks at a number of levels. Proactive environmental management systems and employee training programmes are embedded within operations through clear environmental strategies and resource conservation initiatives. Progressive influencing of third parties, stakeholder engagement and community relations programmes are also established. The Company works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Heathrow Express Operating Company Limited

Strategic Report continued

Commercial and financial risks

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the Company is recognised. The Company has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. Negotiations for a new 2017 agreement are currently taking place.

Treasury

The Company's financial risk management objectives are aligned with Heathrow Airport Holdings Limited, and also with Heathrow (SP) Limited, which is the parent undertaking of the smallest group to consolidate these financial statements and the level at which financial risks for the Company are managed. The treasury policies of the Heathrow (SP) Limited group (the 'SP Group') are set out below.

The Board of the Heathrow Airport Holdings Group approves prudent treasury policies and delegates certain responsibilities including changes to treasury policies, the approval of funding and the implementation of funding and risk strategy to the Heathrow Finance Committee. Senior management directly control day-to-day treasury operations on a centralised basis.

The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Heathrow Airport Holdings Group's business operations and funding. To achieve this, the Heathrow Airport Holdings Group enters into interest rate swaps, index-linked swaps, cross-currency swaps and foreign exchange contracts to protect against interest rate and currency risks.

The primary treasury-related financial risks faced by the SP Group are:

(a) Interest rates

The SP Group maintains a mix of fixed and floating rate debt. As at 31 December 2016, fixed rate debt after hedging with derivatives represented 99.8% of the Group's total external nominal debt.

(b) Inflation

The SP Group mitigates the risk of mismatch between Heathrow's aeronautical income and regulatory asset base, which are directly linked to changes in the retail prices index, and nominal debt and interest payments, by the issuance of index-linked instruments.

(c) Foreign currency

The SP Group uses cross-currency swaps to hedge all interest and principal payments on its foreign currency debt. The SP Group uses foreign exchange contracts to hedge material capital expenditure in foreign currencies once a project is certain to proceed.

(d) Funding and liquidity

The SP Group has established both investment grade (at the Heathrow (SP) level) and sub-investment grade (at the Heathrow Finance level) financing platforms for Heathrow. The Heathrow (SP) platform supports term loans, various revolving loan facilities including revolving credit facilities, working capital facilities and liquidity facilities, and Sterling and foreign currency capital markets issuance. All debt is secured and can be issued in either senior (A-/A-) or junior (BBB/BBB) format. Covenants are standardised wherever possible and are monitored on an ongoing basis with formal testing reported to the Audit Committee, the Board and Executive Committee.

Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year.

The SP Group has positive cash flows after capital expenditure and interest and expects to have sufficient liquidity to meet all its obligations in full, including capital investment, debt service costs, debt maturities and distributions, up to December 2018. As at 31 December 2016, the Group had cash and cash equivalents and term deposits of £660 million, undrawn headroom under revolving credit facilities of £1,150 million, committed term debt financing to be drawn after 31 December 2016 of £350 million and undrawn headroom under liquidity facilities of £620 million.

Heathrow Express Operating Company Limited

Strategic Report continued

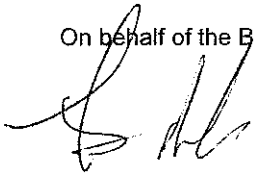
Treasury continued

(e) Counterparty credit

The SP Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument.

The SP Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-2 (S&P)/F1 (Fitch). The SP Group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+ (S&P)/BBB+ (Fitch).

On behalf of the Board



Fraser Brown
Director

18 April 2017

Company registration number: 03145133

Heathrow Express Operating Company Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The Company operates the rail service between Heathrow airport and Paddington station, London.

Under the terms of the Business Transfer Agreement, from 1 September 2015 Heathrow Express recognises all revenue income and running costs in its own accounts, whilst the infrastructure assets remain with Heathrow. The Company is required to pay access fees to Heathrow for the infrastructure charges in accordance with a set of arms-length agreements which were set up and encompassed within the BTA. The main agreements covered track access and rolling stock operations, wherein the Company pays Heathrow a monthly fee for each service provided, whilst Heathrow pays the Company for certain station management services and inter terminal transfers.

Prior to the BTA, Heathrow was entitled to all receipts and income relating to the Company but the day-to-day operation of Heathrow Express and Heathrow Connect was undertaken by the Company on behalf of Heathrow. In return for providing these services, Heathrow pays the Company a management fee and reimburses all of its operating costs.

A review of the progress of the Company's business during the year, the key performance indicators, principal business risks and likely future developments are reported in the strategic report on pages 2 to 5.

Results and dividends

The loss after taxation for the financial year amounted to £7.4 million (2015: profit of £5.3 million) after providing for intangible amortisation and impairment totalling £9.5m (2015: £1.6m). No dividends were proposed or paid during the year (2015: £nil). The statutory results for the year are set out on page 10.

There have been no post balance sheet events up to the date of signing the accounts.

Directors

The Directors who served during the year, except as noted, are as follows:

Ross Baker	Appointed 17 January 2017
Normand Boivin	
Fraser Brown	
Jonathan Coen	Appointed 05 July 2016, Resigned 17 January 2017
Simon Earles	Appointed 05 July 2016
Christopher Edward Wastie Green	
Robert Smallwood	
Brian Woodhead	Resigned 1 June 2016

Employment policies

The Company's employment policies are designed to balance the needs of the business, the customer and the employee and to enable it to attract, recruit and retain high performing individuals from the diverse communities that it provides services to. The Company remains committed to encouraging diversity and fair and consistent practices in all stages of the employee life cycle, from recruitment onwards. The Company's Diversity policy takes account of relevant legislation and full consideration and support is given to employees who become disabled or require flexible working arrangements in order to remain employed.

Opportunities for development and progression are available to all and learning and development activities receive a high priority to continuously improve the performance of individuals and teams and to retain talented individuals. The Company places great emphasis and allocates substantial resources to ensure that the views of employees are sought and employees are engaged in delivering against business objectives.

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. The Company has further procedures to ensure that disabled colleagues are fairly treated in line with the Equality Act (2010). Where employees have become disabled during the course of employment, the Company endeavours to ensure continuing employment through the arrangement of appropriate training.

Collective consultation takes place with two rail unions, ASLEF (Association of Locomotive Engineers and Firemen) and the RMT (Rail, Maritime and Transport workers union), for a large proportion of the Company's employees. In addition regular formal and informal consultation processes exist for consulting with all employees directly, including working parties, training days for operational employees, employee surveys and line manager briefings.

A number of internal communications tools exist, such as daily newsletters, a company intranet/extranet site and employee briefing processes, which aim to ensure employees have both the knowledge to effectively carry out their day-to-day activities but also to further understand the importance of their actions in achieving financial and service performance targets.

Heathrow Express Operating Company Limited

Directors' Report continued

Employment policies continued

Reward and recognition practices also seek to align individual performance to Company objectives and financial targets for employees, managers and senior managers. Bonuses paid to employees and managers are linked to performance against financial targets.

Supplier payment policy

The Company complies with the UK government's Better Payment Practice Code which states that responsible companies should:

- agree payment terms at the outset of a transaction and adhere to them;
- provide suppliers with clear guidance on payment procedures;
- pay bills in accordance with any contract agreed or as required by law; and
- advise suppliers without delay when invoices are contested and settle disputes quickly.

Directors' indemnity

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any protection from liability which might otherwise apply, every director of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him in defending any proceedings in which judgment is given in his favour, or in which he is acquitted or in connection with any application in which relief is granted to him by the court for any negligence, default, breach of duty or breach of trust by him in relation to the Company or otherwise in connection with his duties or powers or office.

Auditor

Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the reappointment of the auditor Deloitte LLP will be proposed within the period set out in section 485 or, Deloitte LLP will be deemed re-appointed where no such resolution is proposed, following the period set out in section 485 in accordance with section 487.

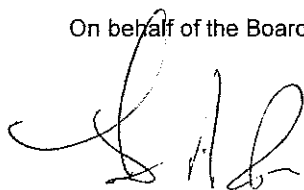
Statement of disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board



Fraser Brown
Director

18 April 2017

Company registration number: 03145133

Heathrow Express Operating Company Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 Act 2006. 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



Fraser Brown
Director

18 April 2017

Heathrow Express Operating Company Limited

Independent auditor's report to the members of Heathrow Express Operating Company Limited

We have audited the financial statements of Heathrow Express Operating Company Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jacqueline Holden, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

18 April 2017

Heathrow Express Operating Company Limited

Statement of comprehensive income for the year ended 31 December 2016

		Year ended 31 December 2016	Year ended 31 December 2015
		Total	Total
	<i>Note</i>	£'000	£'000
Revenue	1	129,346	93,295
Operating costs	2	(136,856)	(86,687)
Other operating items			
Operating (loss)/profit		(7,510)	6,608
Financing			
Finance income	3	635	466
		(6,875)	7,074
(Loss)/Profit before tax		(6,875)	7,074
Tax charge before change in tax rate		(500)	(1,724)
Change in tax rate		(3)	(12)
Taxation charge	4	(503)	(1,736)
(Loss)/Profit for the year		(7,378)	5,338
Total comprehensive (loss)/ income for the year attributable to the parent		(7,378)	5,338

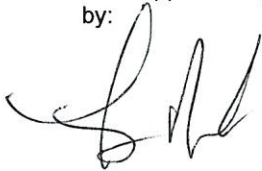
All results are from continuing operations.

Heathrow Express Operating Company Limited

Statement of financial position as at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	177	165
Intangible assets	6	26,904	36,389
Trade and other receivables	7	48	54
		27,129	36,608
Current assets			
Trade and other receivables	7	46,123	47,124
Cash and cash equivalents	8	1,133	1,535
		47,256	48,659
Total assets		74,385	85,267
Liabilities			
Current liabilities			
Current income tax liabilities		(521)	(1,785)
Trade and other payables	9	(6,277)	(8,517)
		(6,798)	(10,302)
Total liabilities		(6,798)	(10,302)
Net assets		67,587	74,965
Equity			
Capital and reserves			
Share capital	10	-	-
Share premium	11	38,000	38,000
Profit and loss reserve	12	29,587	36,965
Total shareholder's equity		67,587	74,965

These financial statements of Heathrow Express Operating Company Limited (Company registration number: 03145133) were approved by the Board of Directors and authorised for issue on 18 April 2017. They were signed on its behalf by:



Fraser Brown
Director



Ross Baker
Director

Heathrow Express Operating Company Limited

Statement of changes in equity for the year ended 31 December 2016

	<i>Note</i>	Share capital £'000	Share premium ¹ £'000	Retained earnings £'000	Total equity £'000
1 January 2015				31,627	31,627
Comprehensive income:					
Profit for the year				5,338	5,338
Share capital issued ¹			38,000		38,000
31 December 2015		-	38,000	36,965	74,965
Comprehensive income:					
Loss for the year				(7,378)	(7,378)
Total comprehensive income				(7,378)	(7,378)
31 December 2016		-	38,000	29,587	67,587

¹ On 1 September 2015 the Company issued two ordinary shares of £1 each at a premium of £18,999,999 in consideration for the transfer of the Heathrow Express and Heathrow Connect rail services from Heathrow Airport Limited.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016

Accounting Policies

The principal accounting policies applied in the preparation of the financial statements of Heathrow Express Operating Company Limited (the 'Company') are set out below. These policies have been applied consistently to all the years presented, unless stated otherwise.

Statement of compliance

These financial statements have been prepared and approved by the Directors in compliance with Financial Reporting Standard ('FRS') 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

The Company

The Company is a limited liability company incorporated in the United Kingdom and registered in England and Wales. The registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

Basis of accounting

The Company financial statements are prepared in accordance with FRS 102 and are presented on the basis of the historical cost convention.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Sterling, which is the Company's functional currency.

The Company has taken advantage of certain disclosure exemptions in FRS 102 as its financial statements are included in the publicly available consolidated financial statements of FGP Topco Limited. These disclosure exemptions relate to the statement of cash flows and related party transactions. Copies of those consolidated financial statements may be obtained by writing to the Company Secretarial Department at the Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

Going concern

The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company forms part of the Heathrow (SP) Limited group (the "SP Group"), which is the smallest group to consolidate these financial statements, and the level at which the financial risks are managed for the Company.

Consequently the Directors have reviewed the cash flow projections of the SP Group taking into account:

- the forecast revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall SP Group liquidity position, including the projected upstreams of cash remaining committed and uncommitted facilities available to it, its scheduled debt maturities, and its forecast financial ratios and its ability to access debt markets.

As a result of the review, and having made appropriate enquiries of management, the Directors have a reasonable expectation that sufficient funds will be available to meet the Company's funding requirement for the next twelve months from the balance sheet signing date.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Between 1 January and 31 August 2015 all revenue was received from Heathrow Airport Limited and represented the costs incurred providing the rail service on behalf of Heathrow Airport Limited plus a 10% management fee, net of VAT. During that time all fare and commercial revenue was collected on behalf of Heathrow Airport Limited by the Company and transferred directly to Heathrow Airport Limited.

Revenue represents all fare and non-fare income earned directly by the Company. Income from fares is recognised when the ticket is sold, or, in the case of advance purchase tickets, revenue is recognised based on the date of travel.

Interest

Interest payable and interest receivable are recognised in the profit and loss account in the period in which they are incurred.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

Tangible fixed assets

Rolling stock and all major assets used by the service are owned and depreciated by Heathrow Airport Limited.

Assets owned by the Company are stated at cost less accumulated depreciation.

Depreciation is provided on these operational assets, mainly office and computer equipment, to write off the cost of the assets less estimated residual value by equal instalments over their expected useful lives as follows:

	<i>Fixed asset lives</i>
Office equipment	5 - 10 years
Computer equipment	4 - 5 years
Computer software	3 - 7 years

Intangible assets – rights to operate

Rights to operate are measured at fair value, based on an arm's length transaction, and amortised on a straight line basis over the life of the contract on which the right to operate is based. The outstanding life is six and a half years to June 2023.

Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Where the asset does not generate cash flows independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a significant change in the circumstances underlying the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the amortisation is adjusted in future periods to allocate the asset's revised carrying amount less any residual value, on a straight-line basis over its remaining useful life.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company as a lessor

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as the rental income.

Trade and other receivables

Trade and other receivables are recognised initially at cost less any provision for impairment.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand when a right to offset exists.

Trade and other payables

Trade and other payables are recognised at cost.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Amounts owed to group undertakings

Amounts owed to group undertakings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest rate method.

Shared Services Agreement ('SSA')

On 18 August 2008, the Company entered into a SSA with LHR Airports Limited by which the latter became the shared services provider of corporate services.

Centralised services

LHR Airports Limited is considered to be acting as principal in relation to the services of the HAML Board and Ferrovial advisory services. These costs are recharged to Heathrow Express Operating Company Limited with a mark-up of 7.5% except where a margin has already been applied to the incurred costs. Other services are paid for and sourced directly by the Company.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

In accordance with FRS 102 Section 29 timing differences, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date and are expected to apply in the periods in which the timing differences are expected to reverse.

Pension costs

For the year ended 31 December 2016 the full share of the retirement benefit scheme obligations of the Company have been allocated to Heathrow Airport Limited ('HAL'). As from 1st January 2015 the Company has not been allocated a share of the deficit or surplus as it will better reflect the exposure that will ultimately be funded out of HAL and isn't changed by arbitrary, short-term, movements of staff between management roles at HAL and the Company.

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs, allowing for any reductions in the par value. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Cash flow statement and related party transactions

The ultimate parent entity in the UK is FGP Topco Limited, a company registered in England and Wales. The results of the Company are included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2016. The results are also included in the audited consolidated financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2016 (intermediate parent entity and the smallest group to consolidate these financial statements). Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement and from disclosing related party transactions with entities that are wholly owned subsidiaries of the FGP Topco Limited group under the terms of accounting standard FRS 102 (1.12 (b) and (e)).

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

Significant accounting judgements and estimates for the year ended 31 December 2016

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 and management believes that the following areas present the greatest level of uncertainty.

Key sources of estimation uncertainty

Valuation of the intangible asset (rights to operate)

For regulatory reasons, the Company has operated as a Train Operating Company ("TOC") with effect from 1 September 2015, operating the HEX and Connect services as a TOC.

A Business Transfer Agreement ("BTA") was signed between the Company and HAL, with effect from 1 September 2015, which transferred the beneficial ownership of the HEX and Connect businesses from HAL to the Company, for an arm's length consideration which was based on a market valuation for the transaction of £38m at the date of transfer. This valuation was based on an assessment by Ernst & Young of the various contracts under the BTA, with the main underlying factor being the track access charge payable to HAL. This was subject to management determination at 1 September 2015 as the final charge was still under review.

A range of track access charges was considered in arriving at the valuation. As the track access charge is still under review, management have revised their expectations of these costs for the foreseeable future and best estimate indicates an impairment charge as discussed in note 6.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

1 Revenue

As stated in the Accounting Policies, revenue until 31 August 2015 represented costs plus a management fee recovered from Heathrow Airport Limited; from 1 September 2015 revenue represents all revenue earned directly by the Company, as described in the Accounting Policies. Revenue for the year ended 31 December 2016 represents a full year of revenue earned directly by the Company which explains the significant increase compared to 2015.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Fare Revenue	111,734	39,403
Non Fare Revenue	9,271	3,308
Provision of Rail Services to Heathrow	8,341	50,584
	129,346	93,295

2 Operating costs

Operating costs, comprise the following:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Employment		
Wages and salaries	20,404	19,606
Social security	2,021	1,992
Pension ¹	645	738
Other staff related costs	1,483	1,503
	24,553	23,839
Operational	8,244	9,834
Maintenance	12,873	15,459
Rates	1,821	1,181
Utilities	1,636	3,066
Intra-group charges ²	72,437	24,560
Other	5,723	7,061
Total adjusted operating costs	127,287	85,000
Depreciation and amortisation		
Property, plant and equipment	84	70
Intangible assets	4,853	1,617
Impairment of intangible assets (note 6)	4,632	-
	9,569	1,687
Total operating costs	136,856	86,687

¹ Pension costs comprise £645,000 (2015: £738,000) of pension costs related to the Company's defined contribution pension scheme. There were £0 (2015: £0) recharges from LHR Airports Limited in relation to the LHR Airports Limited defined benefit pension scheme. Refer to the Accounting policies.

² Intra-group charges were for Rail separation charges including track access, rolling stock and depot leases, as well as corporate management fee, IT and car parking fees. 2015 intra-group charges were for electricity, corporate management fee, IT, car parking and facilities and infrastructure maintenance for the eight months from 1st January to 31st August 2015, and from September to 31st December, following Rail Separation, charges included track access, rolling stock and depot leases, as well as corporate management fee, IT and car parking fees.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

Rentals under operating leases

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<i>Operating costs include:</i>		
Plant and machinery ¹	10,276	3,480
Land and Buildings ²	2,155	1,134
Other operating leases ³	67,067	28,004

¹ Plant and machinery includes £10,209,000 for rolling stock leasing charges from Heathrow Airport Limited for the year ended 31 December 2016 (2015: includes £3,403,000 from 1st September to 31st December 2015).

² Land and Buildings includes £2,122,000 for train depot lease charges from Heathrow Airport Limited for the year ended 31st December 2016 (2015: £707,000 from 1st September to 31st December 2015).

³ Other Operating Leases includes £58,885,000 for track access charges from Heathrow Airport Limited for the year ended 31st December 2016 (2015: £19,628,000 from 1st September to 31st December 2015) for the right to use the 9km rail infrastructure at Heathrow Airport from the tunnel entrance at Hayes & Harlington to, and including, the stations at terminal 2/3, terminal 4 and terminal 5. It also includes £7,888,000 (2015: £8,066,000) for track access charges from Network Rail for the full year for the right to use the 18km route from Paddington station to the Heathrow tunnel entrance at Hayes & Harlington.

Auditor's remuneration

Audit fees and non-audit fees for the current year were borne by Heathrow Airport Limited and recharged to the Company. In 2015 they were borne by LHR Airports Limited in accordance with the SSA.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
Audit of the Company pursuant to legislation	16	16

Employee information

The average number of employees of the Company during the year was 446 (2015: 435).

Directors' remuneration

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Directors' remuneration		
Aggregate emoluments ¹	193	125
Value of Company pension contributions to pension schemes	7	4
Termination benefits		128
	200	257

¹ For the year ended 31 December 2016 salaries and benefits includes salaries, allowances, director fees, company pension contributions, accrued bonuses, amounts payable under long term incentive plans ('LTIP') and termination benefits.

Fraser Brown, Brian Woodhead, Jonathan Coen and Normand Boivin were directors of a number of companies within the Heathrow Airport Holdings Group, during the year. The remuneration of Normand Boivin for the year ended 31 December 2016 was disclosed in the financial statements of Heathrow Airport Limited, the directors do not believe it is possible to accurately apportion his remuneration to individual companies based on services provided. Brian Woodhead, Jonathan Coen and Fraser Brown were paid by, but are not directors of Heathrow Airport Limited. The directors do not believe it is possible to accurately apportion their remuneration to individual companies based on services provided. Simon Earles was paid by, but is not a director of Heathrow Airport Limited. Robert Smallwood and Christopher Edward Wastie Green were paid by and are directors of the Company.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

2 Operating costs continued

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Highest paid director's remuneration		
Aggregate emoluments ^{1 2}	152	241
Value of company pension contributions to defined contribution scheme	7	4
	159	245

¹ For the year ended 31 December 2016 salaries and benefits includes salaries, allowances, director fees, company pension contributions, accrued bonuses, amounts payable under long term incentive plans ('LTIP') and termination benefits.

² Nil of bonus was paid in cash in 2016 (2015: £86,000).

The highest paid director participates in various Long Term Incentive Performance Cash Plans. In respect of the Plans, a cash amount is granted which could vest in future periods contingent on achieving or surpassing EBITDA, Return on Equity and other operational targets over a three year period. The highest paid director's remuneration in 2016 includes £38,250 which will be paid in 2019 if the targets are fully met. In 2016, £23,365 was paid.

	Note	31 December 2016 £'000	31 December 2015 £'000
Number of directors who:			
- are members of a defined benefit scheme		3	2
- are members of a defined contribution scheme		2	2

None of the directors (2015: none) exercised any share options during the year in respect of their services to the Heathrow Airport Holdings Group and no shares (2015: none) were received or became receivable under long term incentive plans.

3 Finance Income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest receivable from group undertaking	634	464
Interest receivable on bank deposits	1	2
Net pensions income	-	-
Net interest receivable and similar income	635	466

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

4 Taxation charge

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax			
Group relief payable		(521)	(1,785)
Adjustments in respect of prior periods		24	113
Total current tax charge		(497)	(1,672)
Deferred tax			
Origination and reversal of timing differences		(16)	(25)
Adjustments in respect of prior periods		13	(27)
Change in tax rate		(3)	(12)
Total deferred tax charge	7	(6)	(64)
Tax charge		(503)	(1,736)

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 20% (2015: 20.25%). The actual tax charge for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
(Loss)/Profit on ordinary activities before tax	(6,875)	7,074
Tax on profit on ordinary activities at 20% (2015: 20.25%)	1,375	(1,432)
Effect of:		
Expenses not deductible for tax purposes	(1,912)	(378)
Adjustments in respect of prior periods – current tax	24	113
Adjustments in respect of prior periods – deferred tax	13	(27)
Change in tax rate – deferred tax	(3)	(12)
Tax charge	(503)	(1,736)

The tax charge recognised for the year ended 31 December 2016 was £503,000 (2015: £1,736,000). Based on a loss before tax for the year of £6,875,000 (2015: £7,074,000 profit), this results in a negative effective tax rate of 7.3% (2015: 24.5%). The tax charge is more (2015: more) than implied by the statutory rate of 20% (2015: 20.25%) primarily due to non-deductible expenses in respect of the intangible amortisation and impairment (2015: non-deductible expenses in respect of the intangible amortisation).

The Finance (No 2) Act 2015 enacted reductions in the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. The Finance Act 2016 enacted a further 1% reduction in the main rate of corporation tax to 17% from 1 April 2020. Consequently the Company's deferred tax balances, which were previously provided at 18%, were re-measured at the rate at which the Company believes the timing differences will reverse. This has resulted in a net reduction in the deferred tax asset and a corresponding net deferred tax charge of £3,000 being recognised in the profit and loss account.

In December 2016 and January 2017 the UK government published draft legislation on the new interest deductibility regime, in response to the Organisation for Economic Co-operation and Development (OECD) reports on base erosion and profit shifting (BEPS). It has been announced that the new corporate interest restriction will be effective from 1 April 2017 and interest deductions will be limited to 30% of tax based EBITDA, with the ability to apply a group ratio rule (GRR) and a public benefit infrastructure exemption (PBIE). Whilst the legislation could impact the future tax charge of the group, Heathrow expects to be largely protected from the 30% of tax EBITDA cap through the use of the PBIE and GRR. The position will be clarified when the legislation is enacted later this year.

Other than these changes, there are no items which would materially affect the future tax charge.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

5 Tangible fixed assets

	Plant, equipment & other assets £'000
Cost	
1 January 2016	558
Additions at cost	96
31 December 2016	654
Depreciation	
1 January 2016	393
Charge for the year	84
31 December 2016	477
Net book value 31 December 2016	177
Net book value 31 December 2015	165

6 Intangible fixed assets

	£'000
Cost	
1 January 2016	38,013
Additions	-
31 December 2016	38,013
Amortisation	
1 January 2016	1,624
Charge for the year	4,853
Impairment charge	4,632
31 December 2016	11,109
Net book value 31 December 2016	26,904
Net book value 31 December 2015	36,389

Rights to Operate

For regulatory reasons, the Company has operated as a Train Operating Company ("TOC") with effect from 1 September 2015, operating the HEX and Connect services as a TOC.

A Business Transfer Agreement ("BTA") was signed between the Company and HAL, with effect from 1 September 2015, which transferred the beneficial ownership of the HEX and Connect businesses from HAL to the Company, for an arm's length consideration which was based on market valuation for the transaction of £38m, representing the value to the Company, at the date of transfer, for the ability to operate the services.

The current contractual arrangements for the Company to operate a service terminate on 23 June 2023 so after careful consideration it was decided that the intangible asset should be amortised on a straight line basis over a period of 7 years 10 months from 1 September 2015 to 23 June 2023.

At 31 December 2015, management reviewed the carrying value of the intangible asset and concluded that there was sufficient uncertainty at that date as to whether there was a permanent diminution in value and consequently no impairment was recognised at that date.

During 2016, in light of continuing discussions regarding track access charges payable to Heathrow Airport Limited (a key operating cost), management have revised their expectations of operating costs for the foreseeable future and as a result the carrying value of the intangible asset has been revised to £26.9 million. Consequently, after allowing for amortisation the Company incurred an additional impairment charge of £4.6 million in the year ended 31 December 2016.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

7 Debtors

	31 December 2016	31 December 2015
	£'000	£'000
Current		
Trade debtors	1,371	1,136
Accrued income	12,147	10,168
Amounts owed by group undertakings ¹	31,188	33,653
Other debtors	1,417	2,167
	46,123	47,124
Non-current		
Deferred tax asset	48	54
Total debtors	46,171	47,178

¹ Amounts owed by group undertakings are due from Heathrow Airport Limited, are repayable on demand and accrued interest at 1.5% plus Bank of England base rate.

Deferred tax

	£'000
1 January 2016	54
Charged to profit and loss account	(6)
31 December 2016	48

Analysis of the deferred tax asset balances is as follows:

	31 December 2016	31 December 2015
	£'000	£'000
Excess of depreciation over capital allowances	36	39
Other timing differences	12	15
	48	54

Provision has been made for deferred taxation in accordance with FRS 102. Of the £48,000 debtor at 31 December 2016 we expect a £1,000 decrease in the next 12 months.

The Finance (No 2) Act 2015 enacted reductions in the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. The Finance Act 2016 enacted a further 1% reduction in the main rate of corporation tax to 17% from 1 April 2020. Consequently the Company's deferred tax balances, which were previously provided at 18%, were re-measured at the rate at which the Company believes the timing differences will reverse. This has resulted in a net reduction in the deferred tax asset and a corresponding net deferred tax charge of £3,000 being recognised in the profit and loss account.

8 Cash at bank and in hand

	31 December 2016	31 December 2015
	£'000	£'000
Cash at bank and in hand	1,133	1,535

Cash at bank and in hand earns interest at floating rates based on daily bank deposits rates and is subject to interest rate risk.

9 Trade and Other Payables

	31 December 2016	31 December 2015
	£'000	£'000
Current		
Trade Creditors	-	354
Accruals and deferred income	5,619	7,294
Other tax and social security	534	543
Other creditors	124	326
	6,277	8,517

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

10 Called up share capital

	£
Authorised	
At 1 January 2016 and 31 December 2016: 100 ordinary shares of £1 each	100
Called up, allotted and fully paid	
At 1 January 2016	4
Allotted	
31 December 2016: 4 ordinary shares of £1 each	4

11 Share Premium account

	£'000
Cost	
1 January 2016	38,000
31 December 2016	38,000

12 Profit and loss reserve

	Profit and loss reserve £'000
1 January 2016	36,965
Loss for the financial year	(7,062)
31 December 2016	29,903

13 Commitments and contingent liabilities

Non-cancellable operating lease commitments – Company as a lessee

Total future minimum rentals payable at the end of the year are as follows:

	31 December 2016		31 December 2015	
	Land & buildings £'000	Other leases £'000	Land & buildings £'000	Other leases £'000
Within one year	2,155	77,343	2,144	78,229
Within two to five years	8,488	184,499	8,488	312,736
After five years	6,366	95,960	6,366	229,979
	17,009	357,802	16,998	620,944

The Company leases various buildings, plant and machinery under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The Land & Buildings lease commitments include the lease of a train care depot from Heathrow Airport Limited.

Other leases commitments include Track Access and Rolling Stock agreements with Heathrow Airport Limited, and also Track Access agreements with Network Rail.

Heathrow Express Operating Company Limited

Notes to the financial statements for the year ended 31 December 2016 continued

Securities and guarantees

The Company, Heathrow Express Operating Company Limited, Heathrow (SP) Limited and Heathrow (AH) Limited (together, the 'Obligors') have granted security to Deutsche Trustee Company Limited (in its capacity as the 'Borrower Security Trustee', for itself and as trustee for the Borrower Secured Creditors) over their property, assets and undertakings to secure their obligations under various financing agreements. Each Obligor has also guaranteed the obligations of each other Obligor under such financing agreements.

The Company and Heathrow Express Operating Company Limited have provided a guarantee and indemnity in favour of Lloyds Bank plc (in its capacity as the Borrower Account Bank) in respect of each other's obligations under the Borrower Account Bank Agreement and associated financing agreements.

14 Ultimate parent undertaking

The immediate parent undertaking is Heathrow Airport Limited, a company registered in England and Wales.

The ultimate parent entity is FGP Topco Limited, which is the parent undertaking of the largest group to consolidate these financial statements. The shareholders of FGP Topco Limited are Hubco Netherlands B.V. (25.00%) (an indirect subsidiary of Ferrovial, S.A., Spain), Qatar Holding Aviation (20.00%) (a wholly owned subsidiary of Qatar Holding LLC), Caisse de dépôt et placement du Québec (12.62%), Baker Street Investment Pte Ltd (11.20%) (an investment vehicle of the Government of Singapore Investment Corporation), Alinda Airports UK L.P. and Alinda Airports L.P. (11.18%) (investment vehicles managed by Alinda Capital Partners) and Stable Investment Corporation (10.00%) (an investment vehicle of the China Investment Corporation) and USS Buzzard Limited (10.00%) (wholly-owned by the Universities Superannuation Scheme).

The Company's results are also included in the audited consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2016, which is the smallest group to consolidate these financial statements. They are also included in the audited consolidated financial statements of Heathrow Finance plc, Heathrow Airport Holdings Limited and FGP Topco Limited for the year ended 31 December 2016.

Copies of the financial statements of FGP Topco Limited, Heathrow Airport Holdings Limited, Heathrow Finance plc and Heathrow (SP) Limited may be obtained by writing to the Company Secretarial Department at The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.