

Heathrow (AH) Limited
Annual report and financial statements
for the year ended 31 December 2015

Heathrow (AH) Limited

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Heathrow (AH) Limited

Officers and professional advisers

Directors

Andrew Efiog
Michael Uzielli
David Williamson

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

Heathrow (AH) Limited Directors' report

The Directors present their annual report and the audited financial statements for Heathrow (AH) Limited (the 'Company') for the year ended 31 December 2015.

The Company has taken advantage of the small companies' exemption of not preparing a Strategic report as allowed by the Companies Act.

Change to accounting framework

The Financial Reporting Council ('FRC') developed a set of new Financial Reporting Standards ('FRS') applicable for periods beginning on or after 1 January 2015 that provide a number of options for all UK entities. These revised financial reporting standards fundamentally reform financial reporting and are implemented by FRS 100 'Application of Financial Reporting Requirements' ('FRS 100'). FRS 100 sets out the accounting framework options within FRS 101 'Reduced Disclosure Framework' ('FRS 101'), FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' ('FRS 102') or EU-adopted IFRS.

Transition to FRS 101

The Company has chosen to adopt FRS 101, a reduced disclosure framework of EU-adopted IFRS. The Company assessed the options available and decided to adopt FRS 101 as it is considered by the Directors to provide the greatest positive impact on reserves of the Company of the available options. As allowed by the transitional provisions of IFRS 1 ('First-time Adoption of International Financial Reporting Standards'), the carrying value of investments at the transition date has been fair valued and recorded at deemed cost at that date. Accordingly, the Company has recorded an increase at the transition date in the carrying value of its investment in subsidiaries of £2,868 million, of which £648 million has been credited to the profit and loss reserve, by means of reversing an impairment provision previously recorded against this investment, and the remaining £2,220 million has been credited to the revaluation reserve.

An explanation of these and how the transition affected the previously reported financial position and financial performance of the Company is disclosed in Note 13 to the financial statements. The transition date from the previous accounting standards is 1 January 2014.

Principal activities

The principal activity of the Company is to act as the immediate holding company of Heathrow Airport Limited, which is responsible for operating Heathrow airport ('Heathrow'). The Company acts as an indirect holding company of Heathrow Express Operating Company Limited, which operates the Heathrow Express rail service between Heathrow and Paddington, London.

The Company is a direct subsidiary of Heathrow (SP) Limited and together with the other subsidiaries of Heathrow (SP) Limited forms the group (the 'SP Group') which is able to raise investment grade finance and further forms part of the Heathrow Airport Holdings Limited group (the 'Heathrow Airport Holdings Group').

No significant changes to the activities of the Company are expected in the foreseeable future.

Results and dividends

The profit after taxation for the financial year amounted to £363 million (2014: £1,072 million).

During the year the Company paid dividends of £358 million to its parent, Heathrow (SP) Limited, being £33 million on 27 February 2015, £80 million on 4 March 2015, £80 million on 30 June 2015, £75 million on 24 July 2015 and £90 million on 16 December 2015 (2014: £425 million to Heathrow (SP) Limited, comprising £65 million on 21 February 2014, £79 million on 27 June 2014, £56 million on 25 July 2014, £85 million on 23 September 2014 and £140 million on 18 December 2014).

Dividends of £361 million were received during the year (2014: £419 million).

The statutory results for the year are set out on page 9.

Key performance indicators

Given the nature of the Company's business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of development, performance or position of the Company's operations. Key performance indicators are however an integral part of the strategy for operating Heathrow and are considered to add value to the investment which the Company has in the subsidiary.

Directors

The Directors who served during the year and since the year end, are as follows:

Andrew Efiog

Jose Leo Resigned 25 March 2015

Michael Uzielli Appointed 09 June 2015

David Williamson Appointed 25 March 2015

Company secretary

Pursuant to section 270 of the Companies Act 2006, a private company registered within England and Wales is not required to have a company secretary.

Employment policies

The Company has no employees.

Heathrow (AH) Limited

Directors' report *continued*

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 judgement 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.

Auditors

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 Auditors

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.

Risk management

Risk is centrally managed by the Heathrow Airport Holdings Group. The Executive Committee, Board, Finance Committee and Audit Committee ('AC') referred to below relate to the Executive Committee, Board, Finance Committee 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 to the Responsible Heathrow and Operational Risk Committee.

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

Safety and security

The Heathrow Airport Holdings Group has a statutory and moral responsibility to ensure aviation security and safeguard the welfare and safety of staff, business partners and the public who may be affected by its activities. It is recognised that a failure to exercise this responsibility effectively also risks operational disruption, inconvenience to passengers and long-term reputational damage.

The Heathrow Airport Holdings Group'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 Heathrow Airport Holdings Group's business. The Heathrow Airport Holdings Group also operates robust asset management processes to ensure property and equipment remains safe. Governance, led by the airport's senior management teams, and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

Security risks are mitigated 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 airlines and government agencies including the police building a framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Heathrow (AH) Limited

Directors' report *continued*

Strategy, regulation and competition

Heathrow airport is operating its runways at close to full capacity and failure to secure necessary planning permissions could lead to increased congestion, passenger delay and lack of opportunity for the UK.

Monitoring developments in the global aviation market and the levels of passenger satisfaction with different airports around the world provide input to the on-going relevance of the Heathrow Airport Holdings Group's strategy but this has to remain in the context of the UK government's policy on airport capacity which has a significant influence on the Heathrow Airport Holdings Group's ability to secure necessary planning permissions and develop capacity. The Heathrow Airport Holdings Group undertakes extensive consultation with community groups and authorities at a local level and are active participants in government consultations and other advisory groups.

Existing planning approvals provide for passenger traffic to grow to approximately 90 million.

Operations at Heathrow airport are currently subject to economic regulatory review by the CAA normally every five years. The risk of an adverse outcome from these reviews is mitigated as far as possible by a dedicated project team which ensures full compliance with regulatory requirements, establishes a sound relationship with the regulator and advises the Executive Committee and Board on regulatory matters.

The regulatory framework requires formal engagement with airline customers. Helping manage the risk of adverse airline relations, all airlines are invited to be represented on engagement fora – e.g. joint steering groups. When feedback is sought or processes are measured, robust processes have been put in place to ensure confidentiality and neutrality of interpretation. In addition, key stakeholders are engaged on a joint planning basis which provides airlines with the opportunity to air views and share plans, thereby ensuring their on-going requirements are articulated and understood.

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Heathrow Airport Holdings Group, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the internal legal department, reduces the risk of the Heathrow Airport Holdings Group breaching these regulations.

Operational resilience

There are a number of circumstances that can pose short-term risks to the normal operations at the airport such as shocks to the macroeconomic environment, terrorism, wars, airline bankruptcies, human health scares, weather conditions and natural disasters whose cause may be remote from Heathrow's location. These conditions can have a particularly significant impact where, due to operating close to full capacity, there is negligible spare capacity to utilise in recovering from some of the above conditions. Where possible the Heathrow Airport Holdings Group seeks to anticipate the effects of these events on its operations and also maintains contingency plans to minimise disruption and passenger inconvenience working as necessary with those parties who have direct contractual responsibility.

The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the Heathrow Airport Holdings Group is recognised. The Heathrow Airport Holdings Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. The Heathrow pay agreement reached in early 2016 establishes the pay structure until mid-2019. The Heathrow Airport Holdings Group could also be exposed to the effect of industrial action involving other key stakeholders in the aviation sector, in the UK and overseas, such as airlines, air traffic controllers, baggage handlers and Border Force.

Through a series of programmes the Heathrow Airport Holdings Group seeks to keep a competent, flexible and motivated workforce that can respond to a changing business and operating environment. By driving engagement in its people the Heathrow Airport Holdings Group will achieve its goals and give excellent passenger service, avoid safety and security incidents, protect resilience and deliver successful change.

Corporate social responsibility

The Heathrow Airport Holdings Group understands the importance to its business of the communities in which it operates, and through consultation and engagement seek to ensure that their concerns are taken into account in the operation and planning of Heathrow.

The Heathrow Airport Holdings Group undertakes procurement responsibly and encourages trade and employment opportunities with the local communities. Progressive influencing of third parties, stakeholder engagement and community relations programmes are also established.

Environmental risk has the potential to impact negatively upon the Heathrow Airport Holdings Group's reputation and jeopardise its licence to operate and to grow. Proactive environmental management systems and employee training programmes are embedded within operations through clear environmental strategies and resource conservation initiatives. The Heathrow Airport Holdings Group works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Management of change

The risk of unanticipated long-term changes in passenger demand for air travel could lead to a shortfall in revenue and misaligned operational capacity within the Heathrow Airport Holdings Group. Since it is not possible to identify the timing

Heathrow (AH) Limited

Directors' report *continued*

or period of such an effect, the Heathrow Airport Holdings Group carries out evaluations through a series of scenario planning exercises.

Heathrow recognises that failure to control key development costs and delivery could damage its financial standing and reputation. The Heathrow Airport Holdings Group mitigates this risk through adherence to a robust project process and by a system of assurance, consisting of project and programme reviews before approval and during construction. The process is continually improved incorporating lessons learnt and 'best practice' distilled from knowledge sharing with other client programmes, expertise within its supply chain and guidance from professional bodies.

Supply chain

Understanding the possible impact on airport operations and passenger experience of its own and others' supply chains, Heathrow aims to manage its contracts effectively and share with airport partners the information it may hold about their service providers. This is underpinned by robust and responsible procurement practices which consider the resilience and sustainability of suppliers before contracts are commenced with them, as well as frequent monitoring of their operational performance once they commence business with the airport.

Financial stability

The Board 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 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, inflation 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 2015, fixed rate debt after hedging with derivatives represented 96% of the SP 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 an established investment grade financing platform for Heathrow. This 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 on-going basis with formal testing reported to the AC, 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 SP 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 forecast capital investment, debt service costs, debt maturities and distributions, up to January 2018. The liquidity forecast takes into account £2.2 billion in undrawn loan facilities and cash resources as at 31 December 2015, term debt issued and drawn or to be drawn after 31 December 2015 and the expected operating cash flow over the period

- (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 and term deposits 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/F1. The SP Group monitors the credit rating of derivative counterparties on a daily

Heathrow (AH) Limited

Directors' report *continued*

basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+ (S&P)/A (Fitch).

On behalf of the Board



Michael Uzielli

Director

18 March 2016

Company registration number 06458657

Heathrow (AH) 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). 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 judgements 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 Heathrow 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



Michael Uzielli
Director

18 March 2016

Heathrow (AH) Limited

Independent auditor's report to the members of Heathrow (AH) Limited

We have audited the financial statements of Heathrow (AH) Limited for the year ended 31 December 2015 which comprise the Statement of total comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14. 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 Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 auditors' 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 auditors

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



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

Heathrow (AH) Limited

Statement of total comprehensive income for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Dividends received from subsidiary	2	361	419
Finance income	3	2	2
Gain on disposal of Stansted Airport Limited	4	-	3
Profit before tax		363	424
Taxation	5	-	-
Profit for the financial year	11	363	424

Heathrow (AH) Limited

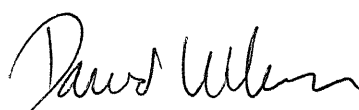
Statement of financial position as at 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
Assets			
Non-current assets			
Investment in subsidiary	6	7,804	7,804
		7,804	7,804
Current assets			
Trade and other receivables	7	-	6
Cash at bank		2	1
Total assets		7,806	7,811
Liabilities			
Current liabilities			
Trade and other payables	8	-	(10)
Total liabilities		-	(10)
Net assets		7,806	7,801
Capital and reserves			
Called up share capital	10	11	11
Share premium reserve	11	499	499
Revaluation reserve	11	2,220	2,220
Profit and loss reserve	11	5,076	5,071
Total shareholder's funds		7,806	7,801

The financial statements of Heathrow (AH) Limited (Company registration number: 06458657) were approved by the Board of Directors on 18 March 2016. They were signed on its behalf by:



Michael Uzielli
Director



David Williamson
Director

Heathrow (AH) Limited

Statement of changes in equity as at 31 December 2015

	Note	Share capital £m	Share premium reserve £m	Revaluation reserve £m	Profit and loss reserve £m	Total £m
1 January 2014		11	499	2,220	5,072	7,802
Profit for the financial year					424	424
Other comprehensive income:				-	-	-
Total comprehensive income				-	424	424
Transactions with owners						
Dividends paid	9				(425)	(425)
Total transactions with owners					(425)	(425)
31 December 2014		11	499	2,220	5,071	7,801
Profit for the financial year					363	363
Other comprehensive income				-	-	-
Total comprehensive income				-	363	363
Transactions with owners						
Dividends paid	9				(358)	(358)
Total transactions with owners					(358)	(358)
31 December 2015		11	499	2,220	5,076	7,806

Heathrow (AH) Limited

Accounting policies for the year ended 31 December 2015

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

Statement of compliance

These financial statements have been prepared and approved by the directors in compliance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'.

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the one-off revaluation of investment in subsidiary on transition in accordance with the Companies Act 2006 and applicable accounting standards.

Transition to FRS 101

These financial statements were prepared by the directors in accordance with FRS 101 for the first time. The transition date from the previous financial reporting framework to FRS 101 was 1 January 2014. FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101. An explanation of these and how the transition affected the previously reported financial position and financial performance of the Company is disclosed in Note 13.

Under FRS 101, the Company has chosen to apply the recognition and measurement provisions of International Accounting Standard ('IAS') 27 'Separate Financial Statements', as endorsed by the European Union ('EU').

The Company has taken advantage of certain disclosure exemptions in FRS 101 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, related party transactions and the requirement under IFRS 1 to present an opening statement of financial position when adopting FRS 101 for the first time. 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.

The Company is not a financial institution and is therefore able to take advantage of exemption from all requirements of IFRS 7 'Financial Instruments: Disclosures' and from the disclosure requirements of IFRS 13 'Fair Value Measurement'.

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'), the level at which 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 cash resources, the remaining committed and uncommitted facilities available to it, its scheduled debt maturities, its forecast financial ratios and ability to access the debt markets.

As a result of the review, 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 twelve months from the statement of financial position signing date.

Individual entity financial statements

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of FGP Topco Limited and it, and its subsidiary undertakings, are included in the consolidated financial statements of that company for the year ended 31 December 2015. The financial statements present information about the Company as an individual entity only and not as a group.

Interest

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

Investment in subsidiary

Investment in subsidiaries held as fixed assets are stated at deemed cost and are measured at fair value as at the date of transition to FRS 101. Any further costs of investment since that date are recorded at cost. Investments in subsidiaries are reviewed for impairment if there are any indications that the carrying value may not be recoverable. Reversals of impairment charges are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Heathrow (AH) Limited

Accounting policies for the year ended 31 December 2015 *continued*

Dividends receivable

A dividend is recognised as an asset in the Company's financial statements in the period in which the Company's right to receive payment of the dividend is established.

Trade receivables

Debtors 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 of offset exists.

Trade payables

Creditors are recognised at cost.

Amounts owed to group undertakings

Amounts owed to group undertakings are repayable on demand and are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Current income taxation

The tax expense for the year comprises current tax only. Tax is recognised in the income statement, except to the extent it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

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

Dividend distribution

A dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the shareholder's right to receive payment of the dividend is established. Interim dividends are recognised when paid.

Share capital

Ordinary shares are classified as equity and are recorded at the fair 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 reserve.

Cash flow statement and related party transactions

The ultimate parent entity is FGP Topco Limited, a company registered in England and Wales. The results and cash flows of the Company are included in the publicly available financial statements of the FGP Topco Group. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of IAS 7 'Statement of cash flows'.

The Company is exempt from the requirements of IAS 24 'Related Party Disclosures' under FRS 101 from disclosing related party transactions with entities that are wholly-owned subsidiaries of the FGP Topco Group.

Heathrow (AH) Limited

Significant accounting judgements and estimates for the year ended 31 December 2015

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 believe that the following areas present the greatest level of uncertainty.

Transition to FRS 101

The transition to FRS 101 requires management to make judgements and estimates in relation to the elections that are available in FRS 101. In particular, the deemed cost of the Company's investment in subsidiary on transition to FRS 101 has been recognised at the fair value of that investment at 1 January 2014. The methodology used was based on an Enterprise Valuation allowing for committed debt and obligations in relation to the Enterprise which the directors considered at the time represented the best estimate of the fair value.

Investment impairment review

The Company reviews investment in subsidiaries for impairment if there are any indications that the carrying values may not be recoverable. The carrying value of the investment is compared to the recoverable amount of the subsidiary and where a deficiency exists, an impairment charge is considered by management. The recoverable amount has been calculated using the fair value less cost to sell methodology. Fair value less cost to sell has been calculated based on discounted cash flow projections of the business. Reversals are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015

1 Operating costs

Auditor's remuneration

Audit fees are recharged in accordance with the Heathrow Airport Holdings Group's Shared Services Agreement ('SSA') into the operating entities. Heathrow (AH) Limited is not an operating entity and is therefore not party to the SSA and receives no recharge of the audit cost. However, the Company's auditors received £3,000 (2014: £3,000) as remuneration for the audit of the Company's financial statements, the cost of which is borne by Heathrow Airport Limited.

Employee information

The Company has no employees (2014: none).

Directors' remuneration

José Leo and Michael Uzielli were directors of a number of companies within the Heathrow Airport Holdings Group during the year. Their remuneration for the year ended 31 December 2015 was disclosed in the financial statements of Heathrow Airport Holdings Limited, the directors do not believe it is possible to accurately apportion their remuneration to individual companies based on services provided. David Williamson and Andrew Efiang were directors of a number of companies within the Heathrow Airport Holdings Group. They 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 within the Heathrow Airport Holdings Group based on services provided.

During the year, none of the directors (2014: none) had retirement benefits accruing to them under a defined benefit scheme and three of the directors (2014: one) had retirement benefits accruing to them under a defined contribution scheme.

None of the directors (2014: none) exercised share options during the year in respect of their services to the Heathrow Airport Holdings Group and no shares (2014: none) were received or became receivable under long term incentive plans.

2 Dividends received from subsidiary

During the year, £361 million of dividends were received from the Company's subsidiary, Heathrow Airport Limited (2014: £419 million).

The dividends received during the year are treated as non-taxable income for corporation tax purposes.

3 Net interest receivable and similar income

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Interest receivable		
Interest receivable from group undertakings ¹	1	1
Dividend receivable ²	1	1
Net interest receivable and similar income	2	2

¹ These amounts relate to interest accrued on the loan to Heathrow Airport Limited at a rate of 7.57%.

² Dividend receivable on irredeemable preference shares of £0.01 each from Heathrow Airport Limited: 4.49p per share (2014: 4.55p per share). Dividend based on one year sterling LIBOR plus a dividend rate premium of 3.52%.

4 Gain on disposal of Stansted Airport Limited

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Gain on disposal of Stansted Airport Limited	-	3

In the year ended 31 December 2014, the £3 million gain represented the release of a provision no longer required.

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015 *continued*

5 Tax charge on profit on ordinary activities

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 20.25% (2014: 21.5%). The actual tax charge for the current year and prior period differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2015	Year ended 31 December 2014
	£m	£m
Profit on ordinary activities before tax	363	424
Tax calculated at the UK statutory rate of 20.25% (2014: 21.5%)	(74)	(91)
Effect of:		
Non taxable income	74	91
Tax charge on profit on ordinary activities	-	-

It was substantively enacted at the reporting date that the standard rate of corporation tax in the UK will reduce from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. In addition, in 2015 the Organisation for Economic Co-operation and Development (OECD) released its final reports on base erosion and profit shifting (BEPS). The OECD BEPS project, addressing perceived flaws in international tax rules, could impact the future tax charge, but it is too early to quantify any impact at this stage.

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

6 Investment in subsidiary

	£m
Cost	
1 January 2015 and 31 December 2015	7,804

The Company's subsidiaries as at 31 December 2015 are as follows:

Subsidiary	Nature of Business	% of share capital held	Class of share
Heathrow Airport Limited	Airport operator	100	Ordinary shares of £0.30 each
		100	Redeemable preference shares of £1 each

The Company's indirect subsidiary is as follows:

Subsidiary	Nature of Business	% of share capital held	Class of share
Heathrow Express Operating Company Limited	Railway operator	100	Ordinary shares of £1 each

The Company owns all of the £1 redeemable preference shares issued by Heathrow Airport Limited. These shares carry an entitlement to an annual dividend fixed by reference to the prospective real redemption rate, based on a projected inflation rate of 3%, on 2.5% index-linked 2016 UK gilts, uplifted for movements in the Retail Prices Index ('RPI').

The preference shares of £1 each were redeemed by the subsidiary on 16 January 2016 at £1.37 per share uplifted for movements in the RPI, which represented a total of £206,575. On a return of capital on winding up or capital reduction, the holders of the preference shares shall be entitled to a sum calculated in accordance with the Articles of Association, in priority to any payment to the holders of any other class of shares other than the holders of irredeemable preference shares.

The Company also owns all of the £0.01 irredeemable preference shares issued by Heathrow Airport Limited. These shares carry an entitlement to an annual dividend uplifted by reference to the RPI.

7 Trade and other receivables

	31 December 2015	31 December 2014
	£m	£m
Current:		
Amounts owed by group undertakings – interest bearing ¹	-	6
Total receivables	-	6

¹ Amounts owed by group undertakings - interest bearing relates to a loan to Heathrow Airport Limited which bears an interest rate of 7.57% per annum as at 31 December 2015 (2014: 7.57%).

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015 *continued*

8 Trade and other payables

	31 December 2015 £m	31 December 2014 £m
Current:		
Amounts owed to group undertakings – interest free ¹	-	10
Total payables	-	10

¹ Amounts owed to group undertakings - interest free are owed to Heathrow Airport Limited and are repayable on demand.

9 Dividends

During the year ended 31 December 2015, the Company paid dividends of £358 million to its parent, Heathrow (SP) Limited, being £33 million on 27 February 2015, £80 million on 4 March 2015, £80 million on 30 June 2015, £75 million on 24 July 2015 and £90 million on 16 December 2015 (2014: £425 million to Heathrow (SP) Limited, comprising £65 million on 21 February 2014, £79 million on 27 June 2014, £56 million on 25 July 2014, £85 million on 23 September 2014 and £140 million on 18 December 2014).

10 Share capital

	£
Called up, allotted and fully paid	
In issue at 1 January and 31 December 2015: 7,373,555,178 ordinary shares of £0.0015 each	11,060,332

11 Reserves

	Share premium reserve £m	Revaluation reserve £m	Profit and loss reserve £m	Total £m
1 January 2015	499	2,220	5,071	7,790
Profit for the financial year	-	-	363	363
Dividends paid	-	-	(358)	(358)
31 December 2015	499	2,220	5,076	7,795

12 Contingent liabilities

The Company, together with Heathrow Airport Limited, Heathrow Express Operating Company Limited and Heathrow (SP) Limited (together, the 'Obligors') have granted security over their assets to secure their obligations under their financing agreements. Each Obligor has also provided a guarantee in respect of the obligations of the other Obligors.

BAA Pension Trust Company Limited is a Borrower Secured Creditor and has a right to receive up to approximately £284million out of the proceeds of enforcement of the security granted by the Obligors, such right ranking pari passu with the senior (Class A) creditors to the Obligors.

13 Transition to FRS 101

As stated in the changes to accounting framework in the Directors report, these are the Company's first financial statements prepared in accordance with FRS 101. The transition date from the previous accounting standards to FRS 101 was 1 January 2014.

The accounting policies adopted in the preparation of these financial statements have been consistently applied to the year ended 31 December 2015, the comparative information for the year ended 31 December 2014, and in the preparation of an opening FRS 101 statement of financial position at 1 January 2014.

In preparing the opening FRS 101 statement of financial position at 1 January 2014, the Company has adjusted amounts previously reported in its statutory annual report and financial statements. An explanation of how the transition to FRS 101 has affected the Company's financial position and financial performance is provided below.

First-time adoption of FRS 101

FRS 101 grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 101.

Investment in subsidiary

As allowed by the transitional provisions of IFRS 1 ('First-time Adoption of International Financial Reporting Standards'), the carrying value of investments at the transition date has been fair valued and recorded at deemed cost at that date. Accordingly, the Company has recorded an increase at the transition date in the carrying value of its investment in subsidiaries of £2,868 million, of which £648 million has been credited to the profit and loss reserve, by means of

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015 *continued*

reversing a previous impairment provision recorded against this investment, and the remaining £2,220 million has been credited to the revaluation reserve.

Reconciliation of equity

1 January 2014

	Under UK GAAP £m	Fair value uplift on investment in subsidiary £m	Under FRS 101 £m
Assets			
Non-current assets			
Investment in subsidiary	4,901	2,868	7,769
Current assets			
Trade and other receivables	47	-	47
Cash and cash equivalents	1	-	1
Total assets	4,949	2,868	7,817
Liabilities			
Non-current liabilities			
Trade and other payables	(5)	-	(5)
Current liabilities			
Trade and other payables	(10)	-	(10)
Total liabilities	(15)	-	(15)
Net assets	4,934	2,868	7,802
Capital and reserves			
Called up share capital	11	-	11
Share premium reserve	499	-	499
Revaluation reserve	-	2,220	2,220
Profit and loss reserve	4,424	648	5,072
Total shareholder's funds	4,934	2,868	7,802

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015 *continued*

Reconciliation of equity *continued*

31 December 2014

	Under UK GAAP £m	Fair value uplift on investment in subsidiary £m	Under FRS 101 £m
Assets			
Non-current assets			
Investment in subsidiary	5,584	2,220	7,804
Current assets			
Trade and other receivables	6	-	6
Cash and cash equivalents	1	-	1
Total assets	5,591	2,220	7,811
Liabilities			
Non-current liabilities			
Trade and other payables	-	-	-
Current liabilities			
Trade and other payables	(10)	-	(10)
Total liabilities	(10)	-	(10)
Net assets	5,581	2,220	7,801
Capital and reserves			
Called up share capital	11	-	11
Share premium reserve	499	-	499
Revaluation reserve	-	2,220	2,220
Profit and loss reserve	5,071	-	5,071
Total shareholder's funds	5,581	2,220	7,801

Reconciliation of total comprehensive income

The transition to FRS 101 did not change the £363 million total comprehensive income for the year ended 31 December 2015.

A reconciliation of total comprehensive income for the year ended 31 December 2014 has been provided below. These changes arise from the fair value uplift in the Company's investment in its subsidiary at 1 January 2014 (see above). As a result, the £648 million investment impairment previously recognised in the income statement for the year ended 31 December 2014 was reversed.

31 December 2014

	Under UK GAAP £m	Remove impairment reversal £m	Under FRS 101 £m
Reversal of impairment in investment in subsidiary – exceptional	648	(648)	-
Operating profit	648	(648)	-
Dividends received from subsidiary	419	-	419
Gain on disposal of Stansted Airport Limited	3	-	3
Finance income	2	-	2
Profit before tax	1,072	(648)	424
Taxation	-	-	-
Profit for the financial year	1,072	(648)	424

The Company has taken advantage of certain disclosure exemptions in FRS 101 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, related party transactions and the requirement under IFRS 1 to present an opening statement of financial position when adopting FRS 101 for the first time.

Heathrow (AH) Limited

Notes to the financial statements for the year ended 31 December 2015 *continued*

14 Post balance sheet events

On 22 February 2016, the board approved the payment of a £78 million dividend to the Company's parent, Heathrow (SP) Limited. This was financed by the receipt of a dividend payment from the company's subsidiary, Heathrow Airport Limited.

On 2 March 2016, the board approved the payment of a £25 million dividend to the Company's parent, Heathrow (SP) Limited. This was financed by the receipt of a dividend payment from the company's subsidiary, Heathrow Airport Limited.

15 Ultimate parent undertaking

The immediate parent undertaking is Heathrow (SP) 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), 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 2015, which is the parent undertaking of 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 2015.

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.

Registered office

Heathrow (AH) Limited, The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.
Registered in England Number: 06458657