# Heathrow Enterprises Limited
## Annual report and financial statements for the year ended 31 December 2017



Company registration number: 02767216

# Heathrow Enterprises Limited

## Contents

# Heathrow Enterprises Limited

## Officers and professional advisers

**Directors**
Ross Baker
Yuanyuan Ding
Javier Echave

**Registered office**
The Compass Centre
Nelson Road
Hounslow
Middlesex
TW6 2GW

**Independent auditor**
Deloitte LLP
Statutory Auditor
2 New Street Square
London, United Kingdom
EC4A 3BZ

**Bankers**
Lloyds Bank plc
1st Floor
10 Gresham Street
London

## Directors' report

The Directors present their annual report and the audited financial statements for Heathrow Enterprises Limited (the 'Company') for the year ended 31 December 2017.

The Company has taken advantage of the small companies' exemption of not preparing a Strategic report in accordance with the provisions of section 414 of the Companies Act 2006.

**Principal activity**
The principal activity of the Company is the operation and maintenance of the Ultra Personal Rapid Transit (PRT) system at Heathrow airport ('Heathrow'). Alongside the operation of the Ultra PRT system, the Company has been engaged in exploring further transport activities and provided consultancy services to interested third parties.

The Company acts as the immediate holding company of BMG (Ashford) General Partner Limited and BMG Europe Limited on behalf of its immediate parent entity, LHR Airports Limited and forms part of the Heathrow Airport Holdings Limited group (the 'Group').

**Results and dividends**
The profit after taxation for the financial year amounted to £340,000 (2016: profit of £356,000). The decrease of £16,000 reflected a decrease in operating profit of £16,000 and lower average interest rates in 2017 which reduced net finance income by £158,000. This was partly offset by the tax expense being £158,000 lower from the utilisation of tax losses and credits from prior periods. No dividends were paid during the year (2016: £nil). The statutory results for the year are set out on page 8.

**Directors**
The Directors who served at any time during the year and since the year end, except as noted, are as follows:

| | |
|---|---|
| Ross Baker | (Appointed 17 January 2017) |
| Normand Boivin | (Resigned 03 October 2017) |
| Yuanyuan Ding | (Appointed 28 March 2018) |
| Javier Echave | |
| Andrew Efiong | (Resigned 23 March 2018) |

**Going Concern**
The financial statements have been prepared on a going concern basis, which requires the Directors to have a reasonable expectation that the Company, as part of the Heathrow Airport Holdings Limited group (the 'Group'), has adequate resources to continue in operational existence for the foreseeable future. The going concern accounting policy on page 11 provides more detail.

**Review of business and future developments**
During the year ended 31 December 2017, the majority of the Company's income and related expenses were from Heathrow POD, a personal rapid transport (PRT) system created by Ultra Global PRT - a unique and innovative environmentally sensitive on-demand passenger transport service to Heathrow.

The Company received interest on a loan to its parent, LHR Airports Limited. The balance of loan receivable at 31 December 2017 was £76,567,000 (2016: £75,301,000).

The Company will continue to hold investments in subsidiaries and loans with other group undertakings.

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

**Key performance indicators**
Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the position of the Company's activity.

**Employment policies**
The Company has 22 employees (2016: 21 employees).

**Internal controls and risk management**
Internal controls and risk management are key elements of the Group's corporate operations. Risk is centrally managed within the Group as part of Corporate Services provided under the Shared Services Agreement ('SSA') by a fully dedicated senior team. The Corporate risk management function, sets the strategy for risk management to provide the necessary framework to ensure that key risks are managed and embeds a sustainable risk management culture that views the execution of risk management processes and practices across Heathrow airport ('Heathrow') as a key enabler to Heathrow achieving its business objectives.

# Heathrow Enterprises Limited

## Directors' report *continued*

**Internal controls**
The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Group and for reviewing the effectiveness of the system. This is implemented by applying the Group internal control procedures, supported by a Code of Professional Conduct Policy, appropriate segregation of duties controls, organisational design and documented procedures. These internal controls and processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss.

The key features of the Group's internal control and risk management systems in relation to the financial reporting process include:

- a group-wide comprehensive system of financial reporting and financial planning and analysis;
- documented procedures and policies;
- defined and documented levels of delegated financial authority;
- an organisational structure with clearly defined and delegated authority thresholds and segregation of duties;
- a formal risk management process that includes the identification of financial risks;
- detailed reviews by the Executive Committee and the Board of monthly management accounts measuring actual performance against both budgets and forecasts on key metrics;
- Audit Committee review of press releases and key interim and annual financial statements, before submission to the Board, scrutinising amongst other items;
  - compliance with accounting, legal, regulatory and lending requirements;
  - critical accounting policies and the going concern assumption;
  - significant areas of judgement and estimates;
  - key financial statement risk areas as reported further below in the report;
- independent review of controls by the Internal Audit function, reporting to the AC; and
- a confidential whistleblowing process.

**Risk management**
Our aim is to gain a deep understanding of the principal risks we face at all levels of the business and to focus management attention on effective mitigation of these risks as well as a review of over-the-horizon emerging risks which may impact the business and strategy of Heathrow.

We continue to roll out a risk improvement plan which is focused on improving accountability for end-to-end risk management at all levels and drive improvements in our risk culture. The risk improvement plan covers all the key elements of an effective risk management framework including risk leadership, informed risk decision making, competency and risk skills, governance including timeliness and transparency of risk information and clarity of accountability for managing risks. We assess and monitor our risk maturity across all key areas and drive improvements where required.

**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.

**Subsequent events**
There were no subsequent events.

**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.

The Company has taken advantage of the small companies exemptions in preparing a Directors' report as allowed by Companies Act 2006.

**Directors' report** *continued*

On behalf of the Board

**Javier Echave**
Director

9 May 2018

Company registration number: 02767216

# Heathrow Enterprises 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; 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.

# Heathrow Enterprises Limited

## Independent auditor's report to the members of Heathrow Enterprises Limited

### Report on the audit of the financial statements

**Opinion**
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Heathrow Enterprises Limited (the 'Company') which comprise:

- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of changes in equity;
- Accounting policies;
- Significant accounting judgements and estimates; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

## Independent auditor's report to the members of Heathrow Enterprises Limited *continued*

**Responsibilities of directors** *continued*
accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**
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.

**Report on other legal and regulatory requirements**

**Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

**Matters on which we are required to report by exception**
Under the Companies Act 2006 we are required to report in respect of the following matters 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Jacqueline Holden FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

9 May 2018

## Heathrow Enterprises Limited

**Statement of total comprehensive income** for the year ended 31 December 2017

| | Note | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|---|
| **Revenue** | *1* | **2,866** | 2,870 |
| Gain on liquidation from associated company | | **-** | 3 |
| Administrative expenses | *2* | **(2,856)** | (2,847) |
| **Operating profit** | | **10** | 26 |
| **Financing** | | | |
| Finance income | *3* | **1,266** | 1,427 |
| Finance expense | *3* | **(929)** | (932) |
| **Net finance income** | | **337** | 495 |
| ***Profit before taxation*** | | **347** | 521 |
| Taxation expense | *4* | **(7)** | (165) |
| **Profit for the year** | *12* | **340** | 356 |

# Heathrow Enterprises Limited

## **Statement of financial position** as at 31 December 2017

| | Notes | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | **1,307** | 1,570 |
| Investments | 7 | **2,188** | 2,188 |
| Trade and other receivables | 8 | **76,879** | 75,566 |
| | | **80,374** | 79,324 |
| **Current assets** | | | |
| Inventories | 6 | **77** | 108 |
| Trade and other receivables | 8 | **137** | 231 |
| Cash and cash equivalents | | **1,600** | 1,641 |
| | | **1,814** | 1,980 |
| **Total assets** | | **82,188** | 81,304 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions for liabilities | 10 | **(93)** | (93) |
| | | **(93)** | (93) |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **(13,673)** | (13,129) |
| **Total Liabilities** | | **(13,766)** | (13,222) |
| **Net assets** | | **68,422** | 68,082 |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Share capital | 11 | **-** | - |
| Retained earnings | 12 | **68,422** | 68,082 |
| **Total shareholder's equity** | | **68,422** | 68,082 |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements of the Company (Company registration number: 02767216) were approved by the Directors and authorised for issue on 9 May 2018.

**Javier Echave**
Director

**Ross Baker**
Director

## Heathrow Enterprises Limited

**Statement of changes in equity** for the year ended 31 December 2017

| | | Attributable to owners of the Company | | |
|---|---|---|---|---|
| | *Note* | **Share capital £'000** | **Retained earnings £'000** | **Total £'000** |
| **1 January 2016** | | - | 67,726 | 67,726 |
| Profit for the financial year | | - | 356 | 356 |
| Total comprehensive income | | - | 356 | 356 |
| **31 December 2016** | | - | **68,082** | **68,082** |
| Profit for the financial year | *12* | - | **340** | **340** |
| **Total comprehensive income** | | - | **340** | **340** |
| **31 December 2017** | *11,12* | - | **68,422** | **68,422** |

## Accounting policies for the year ended 31 December 2017

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

**The Company**
The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

**Basis of accounting**
These financial statements have been prepared and approved by the directors in compliance with Financial Reporting Standard 102 Sec 1A small entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102') and with the Companies Act 2006.

These financial statements present information about the Company as an individual entity only and not as a group.

These financial statements are presented in pound Sterling, which is the Company's functional currency, and are rounded to the nearest thousand pounds (£'000), except where noted.

**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 Airport Holdings Limited group (the 'Group'), the level at which financial risks are managed for the Company.

Consequently the directors have reviewed the cash flow projections of the Group taking into account:
- the forecast revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall 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.

**Revenue**
The Company acts as either principal or agent in transactions into which it enters. Revenue as shown in the Statement of Comprehensive Income consists of amounts due where the Company has exposure to the risks and rewards associated with the sale of goods, rendering of services and agency commission.

As per the Operation and Maintenance (O&M) agreement for the operation of the Heathrow POD, a Personal Rapid Transport System (PRT) at Heathrow Airport, administrative expenses excluding depreciation are recharged to Heathrow Airport Limited with a mark-up of 10%. For these costs the Company has included the gross amount within Revenue and Administrative expenses within the Statement of Comprehensive Income.

The judgement has been reached following consideration of whether the Company has been exposed to the majority of the significant benefits and risks associated with the transactions.

The Heathrow POD engages with various external entities related to UK Innovate projects, licenced partners and commercial companies to develop the technology for Autonomous Vehicles and Connected Autonomous Vehicles in the UK and around the world. A small amount of revenue is received for this consultancy work per annum. The consultancy work carried out by the Heathrow POD staff encompasses the development of the Heathrow POD system under licence from Ultra Global Ltd to build on the original Ultra design and maintain the Heathrow POD at the forefront of technology, and the support of external partners who are actively engaged in selling the Heathrow POD technology around the world. The consultancy work is limited to providing technical support and expertise and does not involve taking part in the design and production of new systems.

**Interest**
Interest payable and interest receivable are recognised in the Statement of comprehensive income in the period in which they are incurred.

## Accounting policies for the year ended 31 December 2017 *continued*

### Tangible fixed assets
***Operational assets***
Plant and equipment and other land and buildings are stated at cost less accumulated depreciation and impairment losses. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

***Depreciation***
Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost of the assets less estimated residual value, by equal instalments over their expected useful lives as set out below:

| | |
|---|---|
| *Plant and equipment* | |
| Computer equipment | 4-5 years |
| Computer software | 3-7 years |
| Fixtures and fittings | 5-10 years |
| Other plant and equipment | 5-10 years |

In certain circumstances, the asset life may fall outside of the boundaries disclosed above.

Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

### 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 102. 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.

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

### 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.

### Inventories
Inventories consist of engineering spares and are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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

### Trade and other payables
Trade and other payables are recognised at cost.

### 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 at the reporting date and are discounted, where material, to present value using a current, pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### Current and deferred taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of total 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 statement of financial position 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

## Accounting policies for the year ended 31 December 2017 *continued*

**Current and deferred taxation** *continued*
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.

**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***
Leases where the Company retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement 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 over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**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.

## Significant accounting judgements and estimates for the year ended 31 December 2017

In applying the Company's accounting policies, management have made estimates and judgements in a number of key areas. Actual results may, however, differ from the estimates calculated and management believe that the following area presents the greatest level of uncertainty.

### Critical judgements in applying the Company's accounting policies

There are no critical judgments for the Company.

### Key sources of estimation uncertainty

**Investment valuation and recoverability of intercompany debtors**

The Company reviews investment in subsidiaries for impairment, or reversal of previous impairments, if there are any indications that the carrying values may not be recoverable or may have increased as a result of a favourable change in economic assumptions. 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 or reversal of previous impairments where a surplus exists. 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.

## Heathrow Enterprises Limited

**Notes to the financial statements** for the year ended 31 December 2017

**1 Segment information**

All of the Company's turnover arises in the United Kingdom and relates to continuing operations. Additional details of the turnover generated by each of the Company's key activities are given below:

| | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| **Revenue** | | |
| POD operation income | **2,843** | 2,841 |
| Consultancy | **-** | 16 |
| Commercial insurance commission | **23** | 13 |
| | **2,866** | 2,870 |

**2 Administrative expenses**

| | **Year ended 31 December 2017 £'000** | Re-stated Year ended 31 December 2016 £'000 |
|---|---|---|
| Employment | | |
| Wages and salaries | **1,535** | 1,393 |
| Maintenance | **757** | 1,021 |
| Utilities | **128** | 52 |
| Rent and rates | **27** | 58 |
| General expenses | **139** | 59 |
| Depreciation | **270** | 264 |
| **Total administrative expenses** | **2,856** | 2,847 |

***Auditor's remuneration***

Audit fees are recharged in accordance with the Heathrow Group SSAs into its operating entities. This entity is not party to any SSA and receives no recharge of the audit cost. However, the Company's auditor received £7,000 (2016: £7,000) as remuneration for the audit of the Company's financial statements, the cost of which is borne by Heathrow Airport Limited.

***Employee information***

At the year ended 31 December 2017 there were 22 members of staff whose salary costs were reported in the financial statements of the Company; at the year ended 31 December 2016 there were 21 members of staff.

***Directors' remuneration***

Javier Echave, Ross Baker, Normand Boivin and Andrew Efiong were directors of a number of companies within the Heathrow Airport Holdings Group and paid by Heathrow Airport Limited during the current financial year. Their remuneration for the year ended 31 December 2017 is disclosed within the statutory financial statements for the following companies: Javier Echave - Heathrow Airport Holdings Limited, Ross Baker and Normand Boivin – Heathrow Airport Limited. Andrew Efiong was a director of a number of companies within the Heathrow Airport Holdings Group. He was paid by, but is not a director of, Heathrow Airport Limited. The directors do not believe it is possible to accurately apportion their remuneration to other individual companies within the Group based on services provided.

During the year, none of the directors (2016: one) had retirement benefits accruing to them under a defined benefit scheme and four of the directors (2016: four) had retirement benefits accruing to them under a defined contribution scheme.

**3 Financing**

| | **Year ended 31 December 2017 £'000** | Year ended 31 December 2016 £'000 |
|---|---|---|
| **Finance income** | | |
| Interest receivable from other group undertakings[1] | **1,266** | 1,427 |
| **Finance costs** | | |
| Interest payable to other group undertakings[2] | **(929)** | (932) |
| **Net finance income** | **337** | 495 |

[1] Interest receivable from other group undertakings relates to £1,266,400 (2016: £1,427,200) from LHR Airports Limited and £nil (2016: £nil) from Ultra Global Limited.

[2] Interest payable to other group undertakings relates to £929,500 (2016: £932,046) from LHR Airports Limited.

## 4 Taxation

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|---|---|---|
| **UK corporation tax** | | |
| Current tax at 19.25% (2016: 20%) | **(77)** | (28) |
| Group tax relief payable | **(6)** | (95) |
| Adjustments in respect of prior periods | **(3)** | (65) |
| Total current tax expense | **(86)** | (188) |
| **Deferred tax** | | |
| Current year credit | **46** | 43 |
| Adjustments in respect of prior periods | **33** | (9) |
| Change in UK corporation tax rate - impact on deferred tax assets and liabilities | **-** | (11) |
| Total deferred tax credit | **79** | 23 |
| **Taxation expense** | **(7)** | (165) |

***Reconciliation of tax expense***

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 19.25% (2016: 20%). The actual tax expense for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|---|---|---|
| Profit before tax | **347** | 521 |
| Tax expense on profit at 19.25% (2016: 20%) | **(67)** | (104) |
| Effect of: | | |
| Expenses not deductible for tax purposes | **(56)** | (31) |
| Non-taxable income | **-** | 23 |
| Change in UK corporation tax rate – impact on deferred tax assets and liabilities | **-** | (11) |
| Utilisation of brought forward losses | **86** | 32 |
| Adjustments to tax expense in respect of prior periods - current tax | **(3)** | (65) |
| Adjustments to tax expense in respect of prior periods - deferred tax | **33** | (9) |
| **Taxation expense for the year** | **(7)** | (165) |

The tax expense recognised for the year ended 31 December 2017 was £7,000 (2016: £165,000). Based on a profit before tax for the year of £347,000 (2016: £521,000), this results in an effective tax rate of 2.0% (2016: 31.7%). The tax expense is less (2016: more) than implied by the statutory rate of 19.25% (2016: 20%) primarily due to the utilisation of brought forward losses and a deferred tax credit in respect of prior periods, partly offset by additional profits from UK to UK transfer pricing adjustments (2016: release of loan provisions being non-taxable partly offset by non-deductible impairment charges).

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. The effects of these rate reductions were reflected in the deferred tax balances in the 2016 financial statements.

In November 2017 the Finance (No.2) Act 2017 received Royal Assent, giving effect to a new interest deductibility regime. This regime is in response to the Organisation for Economic Co-operation and Development (OECD) reports on base erosion and profit shifting (BEPS). As a result of the new legislation, from 1 April 2017, interest deductions are limited to 30% of tax based EBITDA, with the ability to apply a group ratio rule (GRR) and a public infrastructure exemption (PIE). Heathrow will be protected from the 30% of tax based EBITDA cap as a result of applying either the PIE or GRR and therefore no interest disallowance has been reflected in the 2017 tax expense (2016: nil).

A deferred tax asset of £2,361,000 (2016: £2,483,000) has not been recognised in respect of unused trading losses as it is uncertain when the losses can be utilised.

Other than these changes (and the deferred tax discussed at note 8), there are no items which would materially affect the future tax expense.

## 5 Property, plant and equipment

| | Plant and equipment £'000 |
|---|---|
| **Cost** | |
| 1 January 2016 | 6,038 |
| Additions | 38 |
| **31 December 2016** | **6,076** |
| Additions | 7 |
| **31 December 2017** | **6,083** |
| | |
| **Depreciation and Impairments** | |
| 1 January 2016 | (4,242) |
| Depreciation charge | (264) |
| **31 December 2016** | **(4,506)** |
| Depreciation charge | **(270)** |
| **31 December 2017** | **(4,776)** |
| | |
| **Net book value** | |
| **31 December 2017** | **1,307** |
| 31 December 2016 | 1,570 |

## 6 Inventories

| | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 |
|---|---|---|
| **Spare parts** | **77** | 108 |

## 7 Investments

| | £'000 |
|---|---|
| **Cost or valuation** | |
| 1 January and 31 December 2017 | 7,469 |
| **Provision for impairment** | |
| 1 January and 31 December 2017 | (5,281) |
| **Net book value** | |
| 1 January and 31 December 2017 | **2,188** |

Prior to the transfer of the PRT business from Ultra Global Limited on 16 January 2015 the intercompany loan with that company was £10,106,734. The consideration for the business transfer was £6,081,000, settled via partial utilisation of the intercompany loan, leaving £4,025,734 which was treated as a capital contribution. As a consequence of transferring all existing trade of Ultra Global Limited, the management agreed that the capital contribution be subsequently impaired.

Consistent with the accounting policies, management have performed impairment reviews on the Company's investments detailed above and as a result have made no impairments in the current year. In the opinion of the Directors, the value of the shares in the subsidiary undertakings and associate are not less than the amounts at which they are stated in the Company's Balance sheet.

The Company's principal investments are as follows:

| Entity | Class | % held | Class of shares | Nature of business |
|---|---|---|---|---|
| BMG Europe Limited[1] | Subsidiary | 100% | 13,000 ordinary shares, £1 each | Dormant |
| BMG (Ashford) General Partner Limited[2] | Subsidiary | 100% | 1 ordinary share, £1 | Non-trading |
| Ultra Global Limited[2] | Subsidiary | 76.8% | 385,013 ordinary shares, £1 each | Non-trading |

[1] Incorporated in Jersey – Registered address: Sanne Secretaries Limited, 13 Castle Street, St Helier, Jersey JE4 5UT, Channel Islands.
[2] Incorporated in the United Kingdom – Registered address: The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

Subsidiaries of The BMG (Ashford) General Partner Limited are:

| Entity | Class | % held | Class of shares | Nature of business |
|---|---|---|---|---|
| BMG (CO2) Limited | Subsidiary | 100 | Ordinary shares | Dormant |
| BMG (Cheshire Oaks) Limited | Subsidiary | 100 | Ordinary shares | Dormant |
| BMG (Ashford) Limited | Subsidiary | 100 | Ordinary shares | Dormant |
| BMG (Bridgend) Limited | Subsidiary | 75 | Ordinary shares | Dormant |
| BMG (Swindon) Limited | Subsidiary | 79 | Ordinary shares | Dormant |
| BMG (Swindon Phases II and III) General Partner Limited | Subsidiary | 100 | Ordinary shares | Non trading |
| BMG (Ashford) Partnership TrustCo Limited | Subsidiary | 100 | Ordinary shares | Dormant |

All subsidiaries are registered in England and Wales and incorporated in United Kingdom. The registered address of the company is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

## 8 Trade and other receivables

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| **Non-Current** | | |
| Amounts owed by group undertakings - interest bearing[1] | **76,567** | 75,301 |
| Amounts owed by group undertakings – non-interest bearing[2] | **-** | 32 |
| Deferred tax (a) | **312** | 233 |
| | **76,879** | 75,566 |
| **Current** | | |
| VAT receivable | **10** | 67 |
| Prepayments and accrued income | **127** | 164 |
| | **137** | 231 |

[1] Amounts owed by group undertakings – interest bearing comprises £76,567,108 (2016: £75,301,708) receivable from LHR Airports Limited that accrues interest at 1.5% over Bank of England base rate.
[2] Amounts owed by group undertakings – non-interest bearing comprises £nil (2016: £32,281) receivable from LHR Airports Limited.

### *(a) Analysis of deferred taxation*

| | Note | £'000 |
|---|---|---|
| 1 January 2017 | | **233** |
| Credit for the year | *4* | 79 |
| **31 December 2017** | | **312** |

Analysis of the deferred tax asset balance is as follows:

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| Capital allowances in excess of depreciation | **312** | 233 |
| | **312** | 233 |

Provision has been made for deferred taxation in accordance with FRS 102.

It is anticipated that there will be no net reduction in the deferred tax asset in the next twelve months.

A deferred tax asset of £2,361,000 (2016: £2,483,000) has not been recognised in respect of unused trading losses, as it is uncertain when the losses can be utilised.

## 9 Trade and other payables

| | 31 December 2017 £'000 | 31 December 2016 £'000 |
|---|---|---|
| **Current** | | |
| Trade creditors | **50** | 292 |
| Amounts owed to group undertakings - interest free[1] | **685** | 436 |
| Amounts owed to group undertakings - interest bearing[2] | **7,070** | 7,070 |
| Interest payable to group undertakings | **5,707** | 4,778 |
| Corporation tax payable | **76** | 28 |
| Group tax relief payable | **6** | 126 |
| Other creditors and accruals | **79** | 399 |
| | **13,673** | 13,129 |

[1] Amounts owed to group undertakings - interest free relate mainly to amounts payable to LHR Airports Limited.
[2] Amounts owed to group undertakings - interest bearing relate to amounts payable to LHR Airports Limited accruing interest at 13% (2016: 13%).

## 10 Provisions for liabilities

| | Dilapidations[1] £'000 |
|---|---|
| **At 1 January and 31 December 2017** | **93** |

[1] A dilapidations provision in respect of Cardiff infrastructure was transferred from Ultra Global Limited on 16 January 2015 as management believe this provision will still be utilised at some point in the future.

### 11 Share capital

| | £ |
|---|---|
| **Authorised** | |
| 1 January and 31 December 2017 | |
| 100 ordinary shares of £1 each | **100** |
| **Called up, allotted and fully paid** | |
| 1 January and 31 December 2017 | |
| 2 ordinary shares of £1 each | **2** |

### 12 Retained earnings

| | £'000 |
|---|---|
| 1 January 2017 | 68,082 |
| Profit for the financial year | 340 |
| **31 December 2017** | **68,422** |

### 13 Commitments under operating leases

The Company keeps an operating lease for an office space at Trym Lodge, 1 Henbury Road, Bristol, BS9 3HQ. Annual licence fee is £18,540 and licence is cancellable on three months notice period.

### 14 Ultimate parent undertaking

The immediate parent undertaking of the Company is LHR Airports 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 GIC), Alinda Airports UK L.P. (11.18%) (an investment vehicle 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 Airport Holdings Limited for the year, which is the parent undertaking of the smallest group to consolidate these financial statements.

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

### 15 Subsequent events

There were no subsequent events.