

**ADI Finance 1 Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2016**

Company registration number: 05723977

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# ADI Finance 1 Limited

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# **ADI Finance 1 Limited**

## **Officers and professional advisers**

### **Directors**

Stuart Baldwin  
Benjamin Bao  
Christopher Beale  
Ali Bouzarif  
Olivier Fortin  
Jorge Gil  
Michael Powell

Paul Barr	(Alternate to Stuart Baldwin)
Samuel Coxe	(Alternate to Christopher Beale)
Robert Horsnall	(Alternate to Michael Powell)
Deven Karnik	(Alternate to Ali Bouzarif)
Iñigo Meirás	(Alternate to Jorge Gil)
David Xie	(Alternate to Benjamin Bao)

### **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**

Lloyds Bank plc  
1st Floor  
10 Gresham Street  
London  
EC2V 7AE

# ADI Finance 1 Limited

## Directors' report

The directors present their annual report and the audited financial statements for ADI Finance 1 Limited (the 'Company') for the year ended 31 December 2016.

The Company has taken advantage of the small companies' exemption of not preparing a Strategic report as allowed by the Companies Act 2006.

### Principal activities

The Company is involved in the financing activities of its parent entity (FGP Topco Limited) and in financing the on-going operations of the Heathrow Airport Holdings Limited group (the 'Heathrow Airport Holdings Group') through its indirect subsidiary, Heathrow Airport Holdings Limited. The directors of the Company discharge their duties in accordance with section 172 of the Companies Act 2006 and with regard to the matters contained therein in the context of furthering the strategic objectives and promoting the success of the FGP Topco Limited group (the 'FGP Topco Group') as a whole. Further information on the strategy of the FGP Topco Group can be found in the FGP Topco Limited Strategic report contained within the annual report and financial statements of that entity for the year ended 31 December 2016.

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 £292 million (2015: £263 million).

Dividends of £325 million were received during the year (2015: £299 million).

During the year the Company paid no dividends (2015: no dividends). The statutory results for the year are set out on page 7.

### Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators beyond the financial information disclosed within the annual financial statements on pages 7-9 is not necessary for an understanding of the development, performance or position of the Company's operations.

### Directors

The directors who served during the year and since the year end were as follows:

Stuart Baldwin	
Benjamin Bao	(Appointed 22 September 2016)
Christopher Beale	
Ali Bouzarif	
Olivier Fortin	
Jorge Gil	
Michael Powell	
Yan Wang	(Resigned 22 September 2016)
Paul Barr	Alternate Director
Samuel Coxe	Alternate Director
Robert Horsnall	Alternate Director
Deven Karnik	Alternate Director
Eric Lachance	Alternate Director
Iñigo Meirás	Alternate Director
David Xie	Alternate Director

### Company secretary

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

### Employment policies

The Company has no employees.

### 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.

# ADI Finance 1 Limited

## Directors' report *continued*

### 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.

### Risk management

Risk management is a key element of the FGP Topco Group's corporate operations. The Company's risk management objectives are aligned with FGP Topco Limited, which is the level at which financial risks for the Company are managed. These objectives are underpinned by the Heathrow Airport Holdings Group's risk management framework. The Executive Committee, Board and Audit Committee ('AC') referred to below relate to the Executive Committee, Board and AC of Heathrow Airport Holdings Limited.

The principal risk identified by the Executive Committee relevant to the Company is:

### Financial stability

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

The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the FGP Topco Group's business operations and funding. To achieve this, the FGP Topco 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 FGP Topco Group are:

#### (a) Interest rates

The FGP Topco Group maintains a mix of fixed and floating rate debt. As at 31 December 2016, fixed rate debt after hedging with derivatives represented 96% of the FGP Topco Group's total external nominal debt.

#### (b) Inflation

The FGP Topco 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 FGP Topco Group uses cross-currency swaps to hedge all interest and principal payments on its foreign currency debt.

#### (d) Funding and liquidity

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

Heathrow Finance plc group platform is rated BB+/Ba3 and supports both loan and bond debt.

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 FGP Topco Group is not exposed to excessive refinancing risk in any one year.

Heathrow Finance plc group has positive cash flows after capital expenditure and interest and expects to have sufficient liquidity to meet all its obligations in full, including capital investment, debt service costs, debt maturities and distributions, up to December 2018. As at 31 December 2016, cash and cash equivalents and term deposits were

## ADI Finance 1 Limited

### Directors' report *continued*

(d) Funding and liquidity *continued*

£666 million, undrawn headroom under revolving credit facilities was £1,150 million, committed term debt financing to be drawn after 31 December was £550 million and undrawn headroom under liquidity facilities was £600 million.

(e) Counterparty credit

The FGP Topco 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 FGP Topco 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(S&P)/F1(Fitch). The FGP Topco Group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+ (S&P)/BBB+ (Fitch).

On behalf of the Board



**Jorge Gil**  
Director

22 February 2017

Company registration number: 05723977

# ADI Finance 1 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 101 "Reduced Disclosure Framework". 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; 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.

On behalf of the Board



**Jorge Gil**  
Director

22 February 2017

# ADI Finance 1 Limited

## Independent auditor's report to the members of ADI Finance 1 Limited

We have audited the financial statements of ADI Finance 1 Limited for the year ended 31 December 2016 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 12. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its 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, 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

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; and
- the directors were not entitled to take advantage of the small company's 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

22 February 2017

## ADI Finance 1 Limited

### Statement of total comprehensive income for the year ended 31 December 2016

	<i>Note</i>	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Dividends received from subsidiary	2	325	299
Finance costs	3	(33)	(36)
<b>Profit before tax</b>		<b>292</b>	<b>263</b>
Taxation	4	-	-
<b>Profit for the financial year</b>	9	<b>292</b>	<b>263</b>
<b>Total comprehensive income for the year</b>		<b>292</b>	<b>263</b>

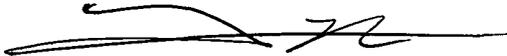
# ADI Finance 1 Limited

## Statement of financial position as at 31 December 2016

	Note	31 December 2016 £m	31 December 2015 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary	5	5,109	5,109
Trade and other receivables	6	122	122
		<b>5,231</b>	<b>5,231</b>
<b>Total assets</b>		<b>5,231</b>	<b>5,231</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	7	(3,243)	(3,535)
<b>Current liabilities</b>			
Trade and other payables	7	(5)	(5)
<b>Total liabilities</b>		<b>(3,248)</b>	<b>(3,540)</b>
<b>Net assets</b>		<b>1,983</b>	<b>1,691</b>
<b>Capital and reserves</b>			
Called up share capital	8	505	505
Share premium reserve	9	364	364
Profit and loss reserve	9	1,114	822
<b>Total shareholder's funds</b>		<b>1,983</b>	<b>1,691</b>

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

The financial statements of ADI Finance 1 Limited (Company registration number: 05723977) were approved by the Board of Directors and authorised for issue on 22 February 2017. They were signed on its behalf by:



**Jorge Gil**  
Director



**Olivier Fortin**  
Director

## ADI Finance 1 Limited

Statement of changes in equity for the ended 31 December 2016

	Share capital £m	Share premium reserve £m	Profit and loss reserve £m	Total £m
1 January 2015	505	364	559	1,428
Total comprehensive income			263	263
<b>31 December 2015</b>	<b>505</b>	<b>364</b>	<b>822</b>	<b>1,691</b>
Total comprehensive income			292	292
<b>31 December 2016</b>	<b>505</b>	<b>364</b>	<b>1,114</b>	<b>1,983</b>

# ADI Finance 1 Limited

## Accounting policies for the year ended 31 December 2016

The principal accounting policies applied in the preparation of the financial statements of ADI Finance 1 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 Companies Act 2006 and applicable accounting standards.

The Company financial statements are presented in Sterling and are rounded to the nearest million pounds (£m), except when otherwise noted.

### Going concern

The directors have prepared the financial statements on the going concern basis which requires the directors to have a reasonable expectation that the Company, as part of the FGP Topco Limited group ('FGP Topco Group'), has adequate resources to continue in operational existence for the foreseeable future.

Consequently the directors have reviewed the cash flow projections of the FGP Topco Group taking into account:

- the forecast revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall FGP Topco Group liquidity position, including the projected upstream of cash, 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 following the balance sheet 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 2016. The financial statements present information about the Company as an individual entity only and not as a group.

### 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. Interim dividends are recognised when received.

### Interest

Interest payable and interest receivable are recognised in the income statement in the period in which they are incurred.

### Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated at deemed cost 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.

### Trade receivables

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

### Cash

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

### Amounts owed to group undertakings

Amounts owed to group undertakings 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 profit and loss account over the period of the borrowings using the effective interest method.

## **ADI Finance 1 Limited**

### **Accounting policies for the year ended 31 December 2016 *continued***

#### **Current income tax**

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

Current tax liabilities are measured at the amount expected to be recovered from or 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 reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

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

#### **Share capital**

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

#### **FRS 101 reduced disclosures**

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.

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', IFRS 13 'Fair Value Measurement' and from the disclosure requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

## **ADI Finance 1 Limited**

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

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

#### **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.

# ADI Finance 1 Limited

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

### 1 Operating costs

#### Directors' remuneration

None of the directors who held office during the year received any emoluments from the Company.

During the year, none of the directors (2015: none) had retirement benefits accruing to them under a defined benefits scheme and none of the directors (2015: none) had retirement benefits accruing to them under a defined contribution scheme.

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

#### Employee information

The Company has no employees (2015: nil).

#### Auditor remuneration

Audit fees are recharged in accordance with the group Shared Services Agreements ('SSAs') into the operating entities. The Company is not an operating entity and is therefore not party to the SSAs and receives no recharge of the audit cost. However, the Company's auditor received £4,000 (2015: £4,000) as remuneration for the audit of the Company's financial statements, the cost of which was borne by Heathrow Airport Limited.

### 2 Dividends received from subsidiary

During the year £325 million of dividends were received from the Company's subsidiary, ADI Finance 2 Limited (2015: £299 million).

### 3 Finance costs

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
<b>Finance costs</b>		
Interest payable on loans from group undertakings <sup>1</sup>	(33)	(36)
	(33)	(36)
<b>Net Finance costs</b>	<b>(33)</b>	<b>(36)</b>

<sup>1</sup> These amounts relate to interest due on the loan from FGP Topco Limited.

### 4 Taxation

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
<b>Current tax</b>		
Adjustment in respect of prior years	-	-
<b>Taxation</b>	<b>-</b>	<b>-</b>

#### Reconciliation of tax charge

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

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit on ordinary activities before tax	292	263
Tax charge on profit on ordinary activities at 20% (2015: 20.25%)	(58)	(53)
Effect of:		
Expenses not deductible for tax purposes	(7)	(7)
Income not assessable for tax purposes	65	60
<b>Tax charge on profit on ordinary activities</b>	<b>-</b>	<b>-</b>

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.

In December 2016 and January 2017 the UK government published draft legislation on the new interest deductibility regime, in response to the Organisation for Economic Co-operation and Development (OECD) reports on base erosion and profit shifting (BEPS). It has been announced that the new corporate interest restriction will be effective from 1 April

## ADI Finance 1 Limited

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

### 4 Taxation *continued*

2017 and interest deductions will be limited to 30% of tax based EBITDA, with the ability to apply a group ratio rule (GRR) and a public benefit infrastructure exemption (PBIE). Whilst the legislation could impact the future tax charge of the Company, Heathrow expects to be largely protected from the 30% of tax EBITDA cap through the use of the PBIE and GRR. The position will be clarified when the legislation is enacted later this year.

### 5 Investment in subsidiary

	£m
<b>Cost</b>	
1 January and 31 December 2016	<b>5,109</b>

Subsidiary	Nature of business	% of share capital held	Class of share
ADI Finance 2 Limited	Holding company	100	Ordinary shares of £0.08 each

The investment is in ADI Finance 2 Limited, a company registered in England and Wales. ADI Finance 2 Limited is involved in the financing activities of its ultimate parent entity in the UK, FGP Topco Limited, and in financing the ongoing operations of the Heathrow Airport Holdings Limited Group which provides and manages airport facilities at Heathrow airport. The Heathrow Airport Holdings Group is also involved in airport-related property development and operates the Heathrow Express rail link between Heathrow and Paddington, London.

In the opinion of the directors, the aggregate value of the shares in the subsidiary undertaking is not less than the aggregate of the amount at which they are stated in the Company's balance sheet.

### 6 Trade and other receivables

	31 December 2016 £m	31 December 2015 £m
<b>Non-current:</b>		
Amounts due from group undertakings – interest free <sup>1</sup>	122	122
<b>Total Receivables</b>	<b>122</b>	<b>122</b>

<sup>1</sup> Amounts due from group undertakings - interest free comprises an interest free balance of £122 million (2015: £122 million) advanced to the Company's parent, FGP Topco Limited, relating to group tax relief and other inter-company recharges.

### 7 Trade and other payables

	31 December 2016 £m	31 December 2015 £m
<b>Non-current</b>		
Interest payable on amounts due to group undertakings	246	213
Amounts due to group undertakings – interest bearing <sup>1</sup>	2,904	3,229
Amounts due to group undertakings – interest free <sup>2</sup>	93	93
	<b>3,243</b>	<b>3,535</b>
<b>Current</b>		
Amounts owed to group undertakings - interest free <sup>3</sup>	5	5
<b>Total Payables</b>	<b>3,248</b>	<b>3,540</b>

<sup>1</sup> Amounts due to group undertakings - interest bearing comprises amounts payable to the Company's parent, FGP Topco Limited, which carries interest at a floating rate based on 3-month Libor plus 0.5% margin, with a maturity date of June 2026.

<sup>2</sup> Amounts due to group undertakings - interest free comprises amounts payable to the Company's subsidiary, ADI Finance 2 Limited, and relates to group tax relief and other inter-company recharges.

<sup>3</sup> Amounts owed to group undertakings-interest free relates to amounts payable to ADI Finance 2 Limited in relation to group tax relief.

### 8 Share capital

	£m
<b>Called up, allotted and fully paid</b>	
1 January 2016 and 31 December 2016:	
5,050,000,004 ordinary shares of 10p each	<b>505</b>

## ADI Finance 1 Limited

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

### 9 Reserves

	Share premium reserve £m	Profit and loss reserve £m
1 January 2015	364	559
Profit for the financial year	-	263
<b>31 December 2015</b>	<b>364</b>	<b>822</b>
Profit for the financial year	-	292
<b>31 December 2016</b>	<b>364</b>	<b>1,114</b>

### 10 Security

The Company and its subsidiary, ADI Finance 2 Limited, have granted security to The Royal Bank of Scotland plc (in its capacity as the 'Security Agent') over substantially all of their assets, which includes their interests in the share capital of ADI Finance 2 Limited and Heathrow Airport Holdings Limited, respectively, to secure their obligations under the ADI Finance 2 Limited financing agreements.

### 11 Subsequent events

There were no subsequent events.

### 12 Ultimate parent undertaking

The ultimate parent entity is FGP Topco Limited, which is the parent undertaking of the smallest and 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).

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