

ADI Finance 1 Limited

Annual report and financial statements for the year ended 31 December 2019

Company registration number: 05723977



ADI Finance 1 Limited

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ADI Finance 1 Limited

Officers and professional advisers

Directors

Ahmed Ali Al-Hammadi
Stuart Baldwin
Christopher Beale
Olivier Fortin
Jorge Gil Villen
Michael Powell
David Xie

Kamil Burganov
Jinhong Chen
Samuel Coxe
Deven Karnik
Tom Kelly

(Alternate to Stuart Baldwin)
(Alternate to David Xie)
(Alternate to Christopher Beale)
(Alternate to Ahmed Ali Al-Hammadi)
(Alternate to Michael Powell)

Registered office

The Compass Centre
Nelson Road
Hounslow
Middlesex
TW6 2GW

Independent auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London, United Kingdom
EC4A 3HQ

Bankers

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

ADI Finance 1 Limited

Strategic report

The directors of ADI Finance 1 Limited (the 'Company') present their strategic report for the year ended 31 December 2019.

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 'HAHL 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 2019.

Business review

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

Results and dividends are discussed in the Directors' report page 8.

Internal controls and risk management

Internal controls and risk management are key elements of the Company's corporate operations. Heathrow Airport Holdings Limited ('HAHL') Group has the overall responsibility of Risk and Assurance Management (HRAM) system framework, establishing the HAHL Group's risk appetite and for reviewing the effectiveness of the risk response system. There are two HAHL Board sub committees which are responsible for risk: the Audit Committee, which reviews the effectiveness of systems for internal financial control, and the Sustainability and Operational Risk Committee, which reviews the effectiveness of operational reporting and performs an oversight review of the performance against sustainability goals and operational targets.

Risks identified by each of Heathrow's business functions are formally reported to the central Risk and Assurance Team on a quarterly basis by each function's risk champion. Risks are analysed and evaluated to assess the residual risk, i.e. the risk after mitigating actions and controls. The most significant risks are collated and reported to the Risk and Assurance Committee, a sub-committee of the Executive Committee. The risks are then reviewed by the Executive Committee before being submitted to the Audit Committee and Sustainability and Operational Risk Committee for independent review and challenge.

The final Heathrow risk report is then reviewed and approved by the HAHL Board on a quarterly basis.

Internal controls

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Company and for reviewing the effectiveness of the system. This is implemented by applying the HAHL 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 Company's internal control and risk management systems in relation to the financial reporting process include:

- a company-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.

ADI Finance 1 Limited

Strategic report *continued*

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 focussed 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.

Our principal risks are aligned to our 4 strategic priorities as follows:

- **Mojo.** To be a great place to work, we will help our people fulfil their potential and work together to lead change across Heathrow with energy and pride;
- **Transform customer service.** To give passengers the best airport service in the world we'll work with the Heathrow community to transform the service we give to passengers and airlines, improving punctuality and resilience;
- **Beat the plan.** To secure future investment we will beat the Q6 business plan and deliver a competitive return to our shareholders by growing our revenue, reducing costs and delivering investments more efficiently; and
- **Sustainable Growth.** To grow and operate our airport sustainably, now and in the future.

Post year end the emergence and spread of the COVID-19 is a new principal risk. The pandemic is having a material impact on our operations and financial performance and management are still in the process of assessing and responding to its impact. The additional identified Covid-19 risks include significant financial loss from a material reduction in passengers, restrictions on access to finance including a higher risk of a covenant breach, failure of key customers and suppliers and operational risk from remote working and organisational restructuring. We have taken immediate action to respond to these risks including safeguarding Heathrow's financial resilience by reducing cost and capital expenditure, liaising with financiers and credit rating agencies, supporting our customers such as providing free aircraft parking and reviewing our supplier portfolio to better understand our reliance and mitigate risk from failures, we have engaged with and implemented advice from Public Health England to protect our stakeholders and continue to seek new ways to protect our stakeholders. We will continue to monitor and respond to an evolving and fast changing situation over the coming months and will provide updates in our next set of results.

The risks outlined in the below are the principal strategic, corporate and operational risks identified during the year. This is a current point-in-time assessment of the risk profile that the HAHL Group faces, as the risk environment evolves these risks are being constantly reviewed and updated.

Principle risks

Climate Change & Carbon Targets

Climate-related risk has been split into two areas:

Physical risks – Heathrow's operational resilience to the impact of climate change; and

Transitional risks – the inability to meet our obligations as a responsible business regarding our own and UK/Global Carbon targets which could result in fines, reputation damage and negatively impact expansion plans.

Risk mitigation

Sustainability has been embedded into all governance structures within Heathrow. Proactive environmental management systems and employee training programmes occur within all of our operations which set clear environmental strategies and resource conservation initiatives.

We have launched Heathrow 2.0 and work closely across functions to ensure sustainable growth is achieved. We have reduced energy consumption by 9% since 2014 despite a 9% rise in passenger numbers over the same period, and our airport operations have become carbon neutral. We are working towards achieving zero-carbon airport infrastructure by the mid-2030s, while working with the aviation industry to reach net-zero emissions from all flights departing the UK by 2050.

A Safe and Secure Operating Environment

We have a statutory and moral responsibility to ensure that we safeguard the welfare and safety of our people, business partners and the public who may be affected by our activities.

Failure to operate a safe environment risks damage to the health and wellbeing of a stakeholder, operational disruption, inconvenience to passengers and long-term damage to our reputation.

Principle risks continued

A Safe and Secure Operating Environment continued

The UK threat level is substantial. We are responsible for ensuring that our assets, infrastructure, human and electronic systems and processes meet requirements to protect aviation security, deliver high security standards and build confidence with regulators, airlines and passengers.

Risk mitigation

Our safety management system includes risk assessment processes for all activities that have significant risk and ensures proportionate control measures are used. Governance, led by our senior management teams, and assurance processes are used to ensure that controls around health and safety risks remain effective and continuous. Improvement is encouraged.

In the current year our safety improvement team has initiated a new '4 pillar' safety plan which is designed to improve the fundamental building blocks of a safe operating environment. The overall Operational Health and Safety Policy has also been updated and improved.

We work with government agencies to ensure security procedures are appropriate and mitigate evolving threats. Procedures are subject to review through the internal controls mechanism and via independent scrutiny from the CAA.

Ability to Access Finance

We need to continue to be able to access finance to fund our current operations and future expansion plans.

Risk mitigation

We produce long term forecasts which include consideration of significant downside risk to enable our management to conclude that covenant terms are likely to be met and that we have the ability to access additional future finance as required.

We have invested in a suitably skilled Treasury and Investment team who have robust procedures in place to ensure that the best quality investment decisions are made, and that investments can be appropriately financed.

Enable Capacity – Airspace and Surface Access

To enable growth, changes to airspace capacity are required to be granted. External stakeholders influence this process, including residents, government and external lobbying bodies. In addition, to enable the desired growth, access to the airport must be increased in a sustainable way.

There is a risk that changes to airspace capacity are not granted and that demands for surface access cannot be met.

Risk mitigation

The potential capacity restraints are a key priority within the expansion and commercial functions which have dedicated teams, with robust workstreams, working directly with key stakeholders to develop proposals and strategies to increase capacity.

Information Security

Information security, primarily the risk of malicious cyber-attack is a continued risk given the size and breadth of our network and operating environment.

Risk mitigation

We are implementing an improved cyber security programme to comply with ISO 27001 Information Security. Mandatory training has been rolled out, and multiple awareness campaigns have been initiated which will continue throughout 2020.

Regulation Requirements

We are currently subject to economic regulatory review.

Changes to economic regulation could materially impact the performance of the business.

Failure to comply with laws and regulations could result in loss of licence, penalties, claims and litigation, reputational damage and loss of stakeholder confidence.

Risk mitigation

The risk of an adverse outcome from economic regulatory reviews is mitigated as far as possible by a dedicated regulatory team which ensures full compliance with regulatory requirements, establishes a sound relationship with the regulator and advises the Executive Committee and HAH Board on regulatory matters.

The regulatory framework requires formal engagement with airline customers. All airlines are invited to be represented on engagement fora – e.g. joint steering groups. In addition, key stakeholders are engaged on a joint planning basis which provide the opportunity to air views and share plans, thereby ensuring their ongoing requirements are articulated and understood.

ADI Finance 1 Limited

Strategic report *continued*

Principle risks *continued*

Obtaining a Development Consent Order

On 27 February 2020, the Court of Appeal concluded that the Government must take account of the Paris Climate Agreement in the Airports National Policy Statement ('ANPS'). The Government declined to appeal to the Supreme Court directly, and as a result, Heathrow and other interested parties have applied for a review of the Court of Appeal ruling. If as a result of this event or any other event, expansion was reassessed as being no longer considered probable, expansion related capital investment would be required to be impaired and expensed to the income statement.

External Change and Innovation

The technological world is constantly changing; new innovations have changed the way consumers do business.

Our stakeholders are impacted by such innovations and there is a risk we do not evolve our proposition to meet new demands.

Risk mitigation

Our review external markets and innovation initiatives to ensure we understand impact, mitigate risk and embrace change working alongside our stakeholders as required.

Emerging risks from external change are also included in our Executive Team's review of emerging risks as part of the Risk Management process.

Political environment

We, particularly our expansion of the airport, is reliant on political support.

Changes to the government, and therefore government's priorities can impact material decisions that are taken by us.

The UK referendum decision on Brexit has the potential to impact airline operations which may cause disruption to our passengers, impact immigration, cargo operations, our supply chain, and our people.

Risk mitigation

We continue to make a strong case for Heathrow's place in aviation and the wider economy and the part it plays in Global Britain, and we explain the benefits that expansion will bring. Whilst a change in the government's focus cannot be controlled, risk is monitored and proposed mitigating actions agreed in advance where necessary.

We have established a cross-functional Brexit team, reporting to the Executive Committee and HAHB Board, which has implemented a structured approach to the identification and management of all risks related to Brexit.

At midnight on 31 January 2020, the UK formally left the EU and the withdrawal agreement came into force. From the 1 February 2020, the UK entered a transition period until the 31 December 2020 to negotiate trade and other areas with the EU. During this transition period, travel arrangements will continue as normal.

We have made preparations to ensure the continued safe and secure operation for passengers with a plan jointly created with stakeholders to deliver a predictable and appropriate passenger experience which minimises the pre and post Brexit impacts.

Ineffective Organisation – Systems and People

Systems - We are constantly adapting to our internal and external requirements. As we continue to grow existing systems and processes become unsuitable and need to evolve to meet the needs of our business.

People - We rely on our people to ensure that we operate effectively. The requirements externally and internally put pressure on colleagues and, during 2019, there was the additional risk of a threat of industrial action.

Risk mitigation

Systems - We continuously review systems and processes to ensure they meet the needs of our business. Where benefits exceed the cost, we invest in new systems. In the current year we have launched a project to upgrade our financial system to support working in a simpler, easier, more agile and cost-effective way.

People - We continue to invest in our people and have a strategy to ensure the development of talent. Policies are in place to engage and motivate our colleagues, so they are excited and challenged by their work environment and accountable and compliant with internal governance, policies and procedures. We provide great career opportunities, development and training, retaining talent and knowledge and preventing single points of failure. We were pleased that unions recently accepted a revised pay deal.

ADI Finance 1 Limited

Strategic report *continued*

Principle risks *continued*

Competition

Competition for Heathrow Expansion - Third party proposals to build and/or operate parts of airport infrastructure continue to be given consideration.

Competition for UK Capacity - Within the UK there are finite resources, infrastructure development potential and political will; which we are in competition for against other businesses. A combination of all three will be required to successfully deliver an expanded Heathrow.

Competition for the Marginal Passenger - We compete against other airports both within the UK and across the world for passengers; some make marginal choices, particularly connecting passengers, about which route to fly.

Risk mitigation

Competition for Heathrow Expansion - We will work with relevant authorities, and independently, to scrutinise any third party proposals. Our primary focus is to ensure there would be no degradation to the experience of our passengers and colleagues and that continuity of safe, secure and efficient airport operations is maintained in the interests of all air transport users, whilst allowing the timely privately financed delivery of expansion in compliance with all ANPS requirements.

We will seek assurance that due process is followed by any such third party, with an equivalent level of rigour, independent scrutiny, comprehensive consultation and constructive engagement as has been the case with our expansion programme. Competition for UK Capacity - Implementing a strategy that emphasises our economic importance to the UK and demonstrating that our expansion is compatible with the UK's climate change policy. Building and maintaining the coalition of support for our expansion.

Competition for the Marginal Passenger - As we remain under pressure to stay affordable, our commercial strategies are important in retaining key passenger groups. Having a structure to ensure ease of access to reasonably priced public transport routes in and out of the airport will also be important.

Section 172 (1) statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company

The Directors also took into account the views and interests of a wider set of stakeholders including its passengers, communities, colleagues, airlines, investors, suppliers, commercial partners and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions.

Authority for the governance structure and group policies is delegated to the HAHL Board (as the principal holding and managing company of the FGP Topco Group). Authority for day-to-day management of the FGP Topco Group is delegated to the Executive Committee. As the functions of the HAHL Board and its committees are applied equally to ADI Finance 1 Limited, the directors have considered it acceptable for the Company to provide less detail in its own report, as it is abiding by policies set at the HAHL Group Level. For details of the engagement that takes place at HAHL Group level with the Company's stakeholders, please see HAHL Group's consolidated financial statements.

By considering the Company's vision, purpose and values together with its strategic priorities, and having a process in place for decision-making we aim to ensure that our decisions are consistent and predictable. For example, each quarter we make assessment of the strength of the Company's balance sheet and take account of the future business needs in making decision about the payment of dividend.

ADI Finance 1 Limited

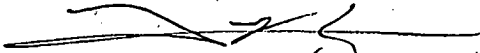
Strategic report *continued*

Section 172 (1) statement *continued*

In 2019 the Company made a dividend payment of £480 million. In making the decision we considered a range of factors. These include the long-term viability of the Company, its expected cash flow and financing requirements, the strength of the Company's balance sheet and the ongoing need for the business to support the safe and efficient operations over the long term.

The Company is involved in the financing activities of the parent entity (FGP Topco Limited) and in financing the ongoing operations of the HAHL Group through its indirect subsidiary ADIF 2 Limited. The Company has no commercial business transactions, no employees or suppliers.

This report was approved by the board and signed on its behalf.



Jorge Gil Villen
Director

07 May 2020

Company registration number: 05723977

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 2019.

A review of the progress of the Company's business during the year, internal controls and risk management, principal business risks and likely future developments are contained in the Strategic report on pages 2 to 7.

Results and dividends

The profit after taxation for the financial year amounted to £474 million (2018: £476 million).

During the year, the Company paid dividends of £480 million (£0.10 per share) to FGP Topco Limited comprising £100 million (£0.02 per share) on 11 March 2019, £87 million (£0.02 per share) on 27 June 2019, £100 million (£0.02 per share) on 02 July 2019 and £193 million (£0.04 per share) on 20 December 2019. Dividends of £500 million were received during the year (2018: £500 million).

During 2018, the Company paid dividends of £370 million (£0.07 per share) to FGP Topco Limited comprising £106 million (£0.02 per share) on 27 June 2018, £112 million (£0.02 per share) on 23 July 2018 and £152 million (£0.03 per share) on 20 December 2018. Dividends of £500 million were received during 2018.

On 20 February 2020, the Board approved the payment of a £100 million dividend to the Shareholders.

The statutory results for the year are set out on page 13.

Directors

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

Ahmed Ali Al-Hammadi
Stuart Baldwin
Christopher Beale
Olivier Fortin
Jorge Gil Villen
Michael Powell
David Xie

Kamil Burganov
Jinhong Chen
Samuel Coxe
Deven Karnik
Tom Kelly
Iñigo Meirás¹

(Alternate to Stuart Baldwin)
(Alternate to David Xie)
(Alternate to Christopher Beale)
(Alternate to Ahmed Ali Al-Hammadi)
(Alternate to Michael Powell)
(Alternate to Jorge Gil Villen)

¹ Resigned on 30 September 2019

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 FGP Topco Limited group ('FGP Topco Group'), has adequate resources to continue in operational existence for the foreseeable future. The going concern accounting policy on page 16 provides more detail.

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.

Employee engagement statement

Details of how the Directors have engaged with employees can be found in Heathrow Airport Holdings Limited consolidated financial statements in the section 172 (1) statement.

Internal controls and risk management

The HAHL Group actively manages all identified corporate risks and has in place a system of internal controls designed to mitigate these risks. Details of the HAHL Group's internal controls and risk management policies can be found on pages 2 to 7 in the internal controls and risk management section of the Strategic report.

Financial risk management objectives and policies

The HAHL Group's financial risk management objectives and policies, along with the HAHL Group's exposure to risk can be found on pages 2 to 7 in the Internal controls and risk management section of the Strategic report.

ADI Finance 1 Limited

Directors' report *continued*

Subsequent events

Subsequent events are disclosed in note 12.

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 them in defending any proceedings in which judgement is given in their favour, or in which they are 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. This indemnity also applies to the directors who are directors of other companies within the FGP Topco Group.

Auditor

After a comprehensive tender process, and recommendation made by the Audit Committee, the Board have appointed PricewaterhouseCoopers (PwC) as auditor of the FGP Topco Group for the financial year ending 31 December 2020.

Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the appointment of the auditor PricewaterhouseCoopers (PwC) will be proposed within the period set out in section 485.

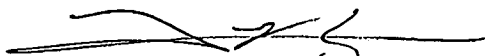
Statement of disclosure of information to the Auditor

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 report was approved and authorised by the Board and was issued on behalf of the Board.



Jorge Gil Villen
Director

07 May 2020

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.

ADI Finance 1 Limited

Independent auditor's report to the members of ADI Finance 1 Limited for the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ADI Finance 1 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 Financial Reporting Council's (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.

ADI Finance 1 Limited

Independent auditor's report to the members of ADI Finance 1 Limited for the year ended 31 December 2019 *continued*

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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or 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.

We have nothing to report in respect of these matters.

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.



Simon Cleveland FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
07 May 2020

ADI Finance 1 Limited

Statement of total comprehensive income for the year ended 31 December 2019

		Year ended 31 December 2019	Year ended 31 December 2018
	Note	£m	£m
Dividends received from subsidiary	2	500	500
Finance costs	3	(23)	(27)
Profit before tax		477	473
Taxation (charge)/credit	4	(3)	3
Profit for the financial year	9	474	476
Total comprehensive income for the year		474	476


ADI Finance 1 Limited

Statement of financial position as at 31 December 2019

	Note	31 December 2019 £m	31 December 2018 £m
Assets			
Non-current assets			
Investment in subsidiary	5	5,109	5,109
Trade and other receivables	6	122	122
		5,231	5,231
Current assets			
Trade and other receivables	6	-	3
Total assets		5,231	5,234
Liabilities			
Non-current liabilities			
Trade and other payables	7	(2,640)	(2,637)
Current liabilities			
Trade and other payables	7	(5)	(5)
Total liabilities		(2,645)	(2,642)
Net assets		2,586	2,592
Capital and reserves			
Called up share capital	8	505	505
Share premium reserve	9	364	364
Profit and loss reserve	9	1,717	1,723
Total shareholder's funds		2,586	2,592

The financial statements have been prepared in accordance with the provisions applicable to companies subject to Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'.

The financial statements of ADI Finance 1 Limited (Company registration number: 05723977) were approved by the Board of Directors and authorised for issue on 07 May 2020. They were signed on its behalf by:



Jorge Gil Villen
Director



Olivier Fortin
Director

ADI Finance 1 Limited**Statement of changes in equity** for the year ended 31 December 2019

	<i>Note</i>	Share capital £m	Share premium reserve £m	Profit and loss reserve £m	Total £m
1 January 2018		505	364	1,617	2,486
Total comprehensive income		-	-	476	476
Transactions with owners					
Dividends paid	10	-	-	(370)	(370)
31 December 2018		505	364	1,723	2,592
Total comprehensive income		-	-	474	474
Transactions with owners					
Dividends paid	10	-	-	(480)	(480)
Total transactions with owners		-	-	(480)	(480)
31 December 2019		505	364	1,717	2,586

ADI Finance 1 Limited

Accounting policies for the year ended 31 December 2019

The principal accounting policies applied in the preparation of the financial statements of ADI Finance1 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'.

The Company

ADI Finance 1 Limited is a private company, limited by shares, incorporated in the UK and registered in England and Wales. Its registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

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 because that is the currency of the primary economic environment in which the Company operates and are rounded to the nearest million pounds (£m), except when otherwise noted.

Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the entity has adequate resources to continue in operational existence for the foreseeable future.

The ultimate parent of ADI Finance 1 Limited is FGP Topco Limited. The Heathrow group of entities raises finance within a consolidated securitised group Heathrow SP Limited ('Heathrow SP') and its parent company Heathrow Finance Plc ('Heathrow Finance').

Heathrow SP Limited is an indirect subsidiary of ADI Finance 1 Limited and includes the main trading entity. In concluding on the going concern of ADI Finance 1 Limited the directors have considered the ability of Heathrow SP to continue to have access to finance for a period of 12 months.

The directors have considered the potential impact of COVID-19 on cash flow and liquidity over the next 12 months and the corresponding impact on the covenants associated with Heathrow SP's financing arrangements. During Q1 steps have been taken to access significant additional liquidity and Heathrow SP has drawn down an additional £1,531 million of pre-agreed facilities, and raised an additional £80 million in Class A debt. Consequently, Heathrow SP held cash and cash equivalents of £2,486 million as at 31 March 2020. Total debt maturity within Heathrow SP for the next 12 months is £250 million. The wider Heathrow Group (which includes Heathrow Finance and Heathrow SP) has cash and committed facilities of circa. £3.2 billion available. No debt matures outside of Heathrow SP for the next 12 months.

The directors have modelled revised cash flow projections for Heathrow SP, in the context of the significant impact of COVID-19 on the aviation industry, reflecting the additional operational and financial risks and have considered the following:

- 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 its ability to access the debt markets.

The models have included the impacts of several important steps to reduce operating expenditure including temporarily shrinking our operation, cancelling executive pay, a companywide pay reduction and bonus cancellation, freezing recruitment and removing all non-essential costs. Steps have also been taken to adjust Heathrow's capital expenditure which we anticipated being around £500 million in the current year. In modelling the impact of COVID-19, notably the rate at which passenger numbers will return from the around 97% reduction expected in April, there is a significant degree of uncertainty given the evolving current environment and the wide range of potential forecasts being formed by various stakeholders in the global aviation industry. This element of the forecasting is therefore inherently subjective.

In reaching our going concern conclusion the directors have therefore considered several potential downside scenarios. These scenarios were prepared by internal experts and challenged by our governance committees. Our stress test was considered to represent a downside scenario which was worse than forecasts provided by others in the market. We continue to monitor available evidence and will update our forecasts as more information becomes available.

Having modelled various scenarios, and the corresponding impact on various debt covenants, the Directors have a reasonable expectation that there will be no default event triggering a repayment of external debt within the Heathrow SP group of companies within the going concern period.

ADI Finance 1 Limited

Accounting policies for the year ended 31 December 2019 *continued*

Going concern *continued*

We have also considered the potential impact of Covid-19 on the wider Heathrow group above Heathrow SP notably Heathrow Finance. We noted that the directors of the entity have confirmed there is appropriate cash held within Heathrow Finance Plc to meet forecast commitments for the next 12 months and no capital repayments were due until 2024. The directors continue to assess the longer term impact of Covid 19 on default covenants and mitigating actions that would be implemented if necessary. Default covenants within Heathrow Finance are assessed based on the financial year ended 31 December 2020 and compliance certificates are not due for submission until June 2021.

In conclusion, having had regard to both liquidity and debt covenants, for ADI Finance 1 Limited entity and its subsidiaries notably Heathrow SP and Heathrow Finance, the Directors have concluded that there will be sufficient funds available for at least twelve months from the date of these accounts.

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 2019. 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.

Financing

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost and reviewed for impairment if there are any indications that the carrying value may not be recoverable. Reversals are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

Intercompany loans receivable

Intercompany advanced to other FGP Topco Group entities are all held till maturity, neither parties have an option to call or prepay the loan before the contracted maturity date.

Such assets are held under a business model to hold and collect contractual cash flows and therefore meet the SPPI test. No embedded derivatives are currently recognised in these advances, and the amortised cost classification is not impacted. All intercompany advances are assessed for impairment under the IFRS 9 "expected credit losses model" (ECL).

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 reserve over the period of the borrowings using the effective interest method.

Current income tax

The tax expense for the year comprises current tax and is recognised in the Statement of total comprehensive income.

Current tax assets and 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.

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.

Dividend distribution

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

ADI Finance 1 Limited

Accounting policies for the year ended 31 December 2019 *continued*

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 exemptions from specified requirements of, IFRS 7 'Financial Instruments', IFRS 13 'Fair Value Measurement', IFRS 15 'Revenue from Contracts with Customers', IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in line with FRS101 Reduced Disclosures Framework.

New Standards

The Company adopted IFRS 16 in accordance with IFRSs as issued by the IASB and this adoption has no impact on entity financial statements.

ADI Finance 1 Limited

Significant accounting judgements and estimates for the year ended 31 December 2019

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.

Critical judgements in applying the Company's accounting policies

Given the straightforward nature of the company, no areas involving a higher degree of judgement have been identified by management.

Key sources of estimation 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.

ADI Finance 1 Limited

Notes to the financial statements for the year ended 31 December 2019

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 (2018: none) had retirement benefits accruing to them under a defined benefits scheme and none of the directors (2018: none) had retirement benefits accruing to them under a defined contribution scheme.

None of the directors (2018: none) exercised any share options during the year in respect of their services to the Group and no shares (2018: none) were received or became receivable under long-term incentive plans.

Employee information

The Company has no employees (2018: 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 £5,000 (2018: £5,000) 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 £500 million of dividends were received from the Company's subsidiary, ADI Finance 2 Limited (2018: £500 million).

3 Finance costs

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on loans from group undertakings ¹	23	27
Finance costs	23	27

¹ These amounts relate to interest due on the loan from FGP Topco Limited.

4 Taxation

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Current tax		
Current tax (charge)/credit	-	3
Adjustments in respect of prior periods	(3)	-
Taxation	(3)	3

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 19% (2018: 19%). 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 2019 £m	Year ended 31 December 2018 £m
Profit before tax	477	473
Tax charge calculated at the UK statutory rate of 19% (2018: 19%)	(91)	(90)
Effect of:		
Expenses not deductible for tax purposes	(4)	(2)
Income not assessable for tax purposes	95	95
Adjustments in respect of prior periods	(3)	-
Tax (charge)/credit on profit on ordinary activities	(3)	3

ADI Finance 1 Limited

Notes to the financial statements for the year ended 31 December 2019 *continued*

4 Taxation *continued*

The total tax charge recognised for the year ended 31 December 2019 was £3 million (2018: £3 million tax credit). Based on a profit before tax for the year of £477 million (2018: £473 million), this results in an effective tax rate of 0.6% (2018: negative 0.6%).

The headline UK corporation tax rate is 19% but is due to fall to 17% with effect from 1 April 2020. Prior to the UK General Election held on 12 December 2019, the Conservative Party announced that it would maintain the UK corporation tax rate at 19%. However, as no legislation had been substantively enacted at the balance sheet date, this announcement has not been reflected in the financial statements.

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

5 Investment in subsidiary

	£m
Cost and carrying amount	
31 December 2018 and 2019	5,109

The Company's immediate subsidiary is:

Subsidiary	Nature of business	% of share capital held	Class of share
ADI Finance 2 Limited ¹	Holding company	100	Ordinary shares of £0.08 each
¹ Registered office is The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW			

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 on-going 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 Statement of financial position.

6 Trade and other receivables

	31 December 2019 £m	31 December 2018 £m
Non-current:		
Amounts due from group undertakings – interest free	122	122
Current		
Group relief receivable	-	3
Total receivables	122	125

7 Trade and other payables

	31 December 2019 £m	31 December 2018 £m
Non-current		
Interest payable on amounts due to group undertakings	289	279
Amounts due to group undertakings – interest bearing ¹	2,258	2,265
Amounts due to group undertakings – interest free	93	93
	2,640	2,637
Current		
Amounts owed to group undertakings - interest free	5	5
Total payables	2,645	2,642

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

ADI Finance 1 Limited

Notes to the financial statements for the year ended 31 December 2019 *continued*

8 Share capital

	£m
Authorised	
31 December 2018 and 2019:	505
5,050,000,004 ordinary shares of £0.10 each	
	£m
Called up, allotted and fully paid	
31 December 2018 and 2019:	505
5,050,000,004 ordinary shares of £0.10 each	

9 Reserves

	Note	Share premium reserve £m	Profit and loss reserve £m
1 January 2018		364	1,617
Profit for the financial year		-	476
Dividends paid		-	(370)
31 December 2018		364	1,723
Profit for the financial year		-	474
Dividends paid	10	-	(480)
31 December 2019		364	1,717

10 Dividends

During the year, the Company paid dividends of £480 million (£0.10 per share) to FGP Topco Limited comprising £100 million (£0.02 per share) on 11 March 2019, £87 million (£0.02 per share) on 27 June 2019, £100 million (£0.02 per share) on 02 July 2019 and £193 million (£0.04 per share) on 20 December 2019.

During 2018, the Company paid dividends of £370 million (£0.07 per share) to FGP Topco Limited comprising £106 million (£0.02 per share) on 27 June 2018, £112 million (£0.02 per share) on 23 July 2018 and £152 million (£0.03 per share) on 20 December 2018.

11 Subsidiaries

The subsidiaries whose financial position affects the Company are as follows:

Direct subsidiaries:

ADI Finance 2 Limited

Indirect subsidiaries:

9G Rail Limited	BMG (Swindon) Limited	LHR Insurance Services Limited ³
Airport Hotels General Partner Limited	BMG Europe Limited ¹	London Airports 1992 Limited
Airport Property GP (No. 1) Limited	Devon Nominees Limited	London Airports 1993 Limited
BAA (NDH2) Limited	Heathrow (AH) Limited	London Airports Limited
BAA General Partner Limited	Heathrow (DSH) Limited	Non Des Topco Limited
BAA International Limited	Heathrow (SP) Limited	Scottish Airports Limited
BAA Lynton Developments Limited	Heathrow Airport Holdings Limited	The BMG (Ashford) LP
BAA Lynton Management Limited	Heathrow Airport Limited	The BMG (Bridgend Phases II and III) LP
BAA Partnership Limited	Heathrow Enterprises Limited	The BMG (CO Phase IV) LP
BAA Pension Trust Company Limited	Heathrow Express Operating Company Limited	The BMG (Swindon Phases II and III) LP
BAA Properties Limited	Heathrow Finance plc	Ultra Global Limited
BMG (Ashford) General Partner Limited	Heathrow Funding Limited ²	World Duty Free Limited
BMG (Ashford) Limited	Heathrow Holdco Limited	
BMG (Ashford) Partnership Trustco Limited	LHR (Hong Kong) Limited	
BMG (Bridgend) Limited	LHR (IP Holdco) Limited	
BMG (Cheshire Oaks) Limited	LHR Airports Limited	
BMG (CO2) Limited	LHR Building Central Services Limited	
BMG (Swindon Phases II & III) General Partner Limited	LHR Business Support Centre Limited	

ADI Finance 1 Limited

Notes to the financial statements for the year ended 31 December 2019 *continued*

11 Subsidiaries *continued*

¹ Incorporated in Jersey, but all profit taxed in the UK as a Controlled Foreign Company.

² Incorporated in Jersey, but UK tax resident.

³ Incorporated in the Isle of Man, but all profit taxed in the UK as a Controlled Foreign Company.

Unless otherwise indicated, all subsidiaries are wholly-owned, incorporated in Great Britain and registered in England and Wales. A complete list of subsidiaries will be annexed to the next annual return delivered to the Registrar of Companies.

The registered office of the Company's subsidiaries is same as ADI Finance 1 Limited, with the exception of Heathrow Funding Limited whose registered office is IFC5, St Helier, Jersey, JE1 1ST, Channel Islands.

12 Subsequent events

All subsequent events are considered to represent non-adjusting events under FRS 101.

Dividend

On 20 February 2020, the Board approved the payment of a £100 million (£0.02 per share) dividend to the Shareholders.

Airport expansion

On 27 February 2020, the Court of Appeal concluded that the Government was required but failed to take account the Paris Climate Agreement when preparing the Airports National Policy Statement ('ANPS'). The Court declared that the ANPS has no legal effect unless and until the Government carries out a review of the policy.

The Government declined to appeal to the Supreme Court directly, but Heathrow and other interested parties have applied for permission to appeal the Court of Appeal ruling.

Covid-19

The spread of COVID-19 represents a material challenge for the global aviation industry. The pandemic has had a material impact on our operations and Heathrow's financial performance 2020 will be significantly impacted. In response to COVID-19 we have taken immediate action to safeguard Heathrow's financial resilience including temporarily shrinking our operation to a single runway in Terminals 2 and 5, cancelling executive pay, a companywide pay reduction and bonus cancellation, freezing recruitment and removing all non-essential costs

From March 2020 COVID-19 has materially impacted our trading results, passenger numbers were down by 52% in March 2020 and by 97% in April. Management have considered the impact that COVID-19 will have on our 2020 trading results. However, uncertainty around how long the pandemic will last and its medium to long term effect on the aviation industry, means that the financial impact cannot be estimated with any degree of accuracy in the long term at this time.

The macroeconomic impact of COVID-19 may have an impact on the carrying values of our assets and liabilities, however the uncertainty regarding the duration of impact means it is difficult to estimate the financial impact at this point. In regard to our trade receivable position at 31 December 2019, we recognise that a number of airlines are in financial difficulty as a result of the COVID-19 pandemic, however, we have collected the majority of trade debtor balances that existed at 31 December 2019.

As reported in Heathrow's Q1 results, COVID-19 and the delay to expansion (following the Court of Appeal's ruling to suspend the Airports National Policy Statement) have had an impact in Q1 of 2020, this includes a reduction in the non-cash fair value of our investment properties of £184 million, an exceptional charge of £82 million and an £218 million increase in the surplus of the defined benefit pension scheme. The Group carried out a detailed review of its organisational design to simplify operations and reduce costs. As a result, the Group made a provision in Q1 for £30 million of exceptional costs relating to this transformation programme. The Group has also reviewed their investment projects. As a result of the impact of the COVID-19, certain projects have been placed on hold while some projects are unlikely to be restarted in the foreseeable future. This resulted in an exceptional write-off of previously capitalised costs of £52 million in the period. These costs remain on the RAB and continue to generate a return.

We will continue to monitor the situation over the coming months and will provide updates as required.

ADI Finance 1 Limited

Notes to the financial statements for the year ended 31 December 2019 *continued*

13 Ultimate parent undertaking

The immediate and 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 all hold ordinary shares in the following proportion; 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), QS Airports UK, LP (11.18%) (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 included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2019.

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