

**Heathrow Funding Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2025**

# Heathrow Funding Limited

## Contents

<b>Company information</b>	1
<b>Directors' report</b>	2
<b>Directors' responsibilities statement</b>	5
<b>Independent auditors' report</b>	6
<b>Financial statements</b>	
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Accounting policies	16
Significant accounting judgements and estimates	19
Notes to the financial statements	20

# Heathrow Funding Limited

## Company information

### Directors

Yuanyuan (Sally) Ding  
Martin Bailey  
Christelle Lubin

### Company secretary

Apex Financial Services (Secretaries) Limited

### Company registration number

99529

### Registered office

IFC 5  
St Helier  
Jersey  
JE1 1ST

### Independent auditors

PricewaterhouseCoopers LLP  
40 Clarendon Road  
Watford  
Hertfordshire  
WD17 1JJ

# Heathrow Funding Limited

## Directors' report

The Directors present their annual report and the audited financial statements for Heathrow Funding Limited (the 'Company') for the year ended 31 December 2025.

### Principal activities

The Company is a direct subsidiary of Heathrow (SP) Limited and forms part of the Heathrow Airport Holdings Limited Group (the 'HAHL Group'). The Company is incorporated in Jersey but is resident in the United Kingdom for taxation purposes.

The Company's primary purpose is to raise funding through the issuance of bonds and to provide funding to Heathrow (SP) Limited and its subsidiaries (together the 'SP Group'). Foreign exchange and interest rate risks are managed by the use of external derivatives. The proceeds raised are distributed to Heathrow Airport Limited, a fellow subsidiary of Heathrow (SP) Limited, under the terms of Borrower Loan Agreements ('BLAs'). The advances under BLAs are secured and are issued on substantially the same terms as the bonds issued by the Company, taking into consideration any related hedging instruments.

Cross-currency swaps, interest rate swaps and index-linked swaps are entered into by the Company to hedge the SP Group's and the wider HAHL Group's exposures. Interest rate and index-linked derivatives are mainly passed through to Heathrow as back-to-back derivatives or otherwise incorporated into related BLAs. The Company's cross-currency swaps are packaged with their associated non-Sterling debt and passed through to Heathrow under the BLAs.

There were no significant changes to the activities of the Company in the year and none are expected in the foreseeable future.

### Results and dividends

The financial statements for the year ended 31 December 2025 show a loss of £98 million (2024: £137 million profit). The movement was driven by the non-cash fair value loss on financial instruments of £98 million (2024: £137 million gain). Fair value movements on financial instruments are measured with reference to market expectations of inflation and interest rates. The inflation forward and interest rate forward curves decreased by an average of 73bps and 30bps, respectively.

The net finance income before fair value gain on financial instruments was £nil (2024: £nil) and included interest receivable from group undertakings of £974 million (2024: £841 million), interest payable on external borrowings of £610 million (2024: £550 million) and net interest payable on derivatives of £364 million (2024: £291 million).

The Company's net liabilities as at 31 December 2025 were £54 million (2024: net assets of £44 million). The movement is predominantly due to the overall net funding position (total borrowings less trade and other receivables) which decreased from a net asset of £153 million as at 31 December 2024 to a net liability of £83 million as at 31 December 2025, as shown in notes 4 and 5. This was offset by the movement in the value of derivative financial instruments from a net liability of £109 million as at 31 December 2024 to a net assets of £29 million as at 31 December 2025 as shown in note 6.

Heathrow Funding Limited continues to focus on maintaining a strong liquidity position for the Group and optimising its long-term cost of debt as well as ensuring duration, diversification and resilience in its debt financing. In 2025, the Company continued to demonstrate strong access to public markets. In January, the Company issued a €600 million 11-year Class A Sustainability Linked Bond. In August, the Company successfully returned to the Canadian market after a four-year absence with the issuance of a C\$600 million 12-year Class A bond. In September, the Company issued a £300 million 17-year Class A bond, marking our first GBP Class A issuance since October 2020.

Redemptions during 2025 comprised of the repayment of a CAD Class A bond of C\$500 million in May and a EUR Class A bond of €750 million in October. In 2025, the Company elected to early pay £157 million (2024: £631 million) of accrued accretion and £nil of prepaid accretion (2024: £29 million).

No dividends were paid by the Company to its parent company, Heathrow (SP) Limited, during the year ended 31 December 2025 (2024: £nil).

# Heathrow Funding Limited

## Directors' report *continued*

### Key performance indicators

Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the financial performance and financial position of the Company.

### Principal risks and uncertainties

As a company within the H AHL Group, the principal risks and uncertainties of the Company are integrated with the principal risks of the H AHL Group and are not managed separately. The principal risks and uncertainties of the H AHL Group, along with their key controls and mitigations and details of the risk management approach of the Group, are discussed on pages 30 to 37 of the annual report and financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2025.

The specific principal risk and uncertainty for the Company is its ability to access financial markets to fund the operations of the H AHL Group, as discussed on page 34 of the annual report and financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2025. The primary treasury-related financial risks are discussed further below.

### Financial risks

The H AHL Board approves prudent treasury policies and delegates certain responsibilities including changes to treasury policies, the approval of funding and the implementation of funding and risk strategy to the H AHL Group 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 H AHL Group's business operations and funding. To achieve this, the 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 H AHL Group are:

- a. Interest rates  
The H AHL Group maintains a mix of fixed and floating rate debt. Interest rate swaps are entered by the Group to mitigate to interest rate risk for the Group.
- b. Inflation  
The H AHL 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 H AHL Group uses cross-currency swaps to hedge all interest and principal payments on its foreign currency debt. The H AHL Group uses foreign exchange contracts to hedge material capital expenditure in foreign currencies once a project is certain to proceed.
- d. Funding and liquidity  
The Group has established both investment grade and sub-investment grade financing platforms for Heathrow. The platforms support 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 or junior format. Covenants are standardised wherever possible and are monitored on an ongoing basis with formal testing reported to the H AHL Group Audit Committee, the Board and Executive Committee. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year.

H AHL Group expects to have sufficient liquidity to meet all its obligations in full, including capital investment, debt service costs, debt maturities and distributions, for at least 12 months from the approved date of these financial statements. As at 31 December 2025, the H AHL Group had cash and cash equivalents and term deposits of £1,365 million.

- e. Counterparty credit  
The 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.

# Heathrow Funding Limited

## Directors' report *continued*

### Directors

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

Yuanyuan (Sally) Ding  
Martin Bailey  
Christelle Lubin

### Company secretary

The company secretary is Apex Financial Services (Secretaries) Limited.

### Going concern

The financial statements have been prepared on a going concern basis as detailed in the going concern statement on page 16.

### Employment policies and employment engagement statement

As a company within the H AHL Group, employment policies and employee engagement are integrated with the that of the H AHL Group and not managed separately. Details of the employment policies and how the H AHL Board has engaged with employees can be found in the annual report and financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2025, on pages 107 and 68 respectively.

### Subsequent events

Subsequent events are disclosed in note 11.

### Directors' indemnity

The Company's Articles of Association provide that, subject to the provisions of the Companies (Jersey) Law 1991, 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 them by the court for any negligence, default, breach of duty or breach of trust by them in relation to the Company or otherwise in connection with their duties or powers or office. This indemnity also applies to the Directors who are directors of other companies within the Group. The third-party indemnity provisions (which are qualifying third-party indemnity under the Companies (Jersey) Law 1991) are in place during the 2025 financial year and at the date of approving the financial statements and reports.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting in accordance with section 113 of the Companies (Jersey) Law 1991.

### Statement of disclosure of information to the Auditors

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' report was approved and authorised by the Board and issued on behalf of the Board by:



**Yuanyuan (Sally) Ding**

Director

3 June 2026

# Heathrow Funding Limited

## Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 (Jersey) Law 1991.



**Yuanyuan (Sally) Ding**

Director

3 June 2026

# Independent auditors' report to the members of Heathrow Funding Limited

## Report on the audit of the financial statements

### **Opinion**

In our opinion, Heathrow Funding Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise:

- the statement of financial position as at 31 December 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; the significant accounting judgements and estimates; and
- the notes to the financial statements.

Our opinion is consistent with our reporting to the audit committee.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 1 in the financial statements, we have provided no non-audit services to the company in the period under audit.

# Heathrow Funding Limited

## Independent auditors' report to the members of Heathrow Funding Limited *continued*

### Our audit approach

#### Overview

Audit scope

- Our audit scope includes a full scope audit of the company.

Key audit matters

- Valuation of derivative financial instruments - Credit risk adjustment on super senior derivatives (inflation linked swaps and interest rate swaps)

Materiality

- Overall materiality: £52.3m (2024: £69.3m) based on 0.5% of external borrowing.
- Performance materiality: £39m (2024: £52m).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of derivative financial instruments - Credit risk adjustment on super senior derivatives (inflation linked swaps and interest rate swaps)</i></p> <p>Refer to</p> <ul style="list-style-type: none"><li>• the Accounting Policies;</li><li>• Significant accounting judgements and estimates; and</li><li>• note 6 in the financial statements.</li></ul> <p>As at 31 December 2025, the entity held derivative assets of £1,872m and derivative liabilities of £1,843m on the balance sheet. These are held to mitigate interest rate, inflation and foreign exchange risk arising on debt. Included in these derivative balances were inflation linked swaps totalling £739m assets and £700m liabilities and interest rate swaps totalling £935m assets and £935m liabilities.</p> <p>IAS 39 "Financial Instruments: Recognition and Measurement" requires derivatives to be accounted for at fair value with movements recognised in profit or loss, unless designated in a hedge relationship.</p> <p>Due to the nature and complexity in the valuations involved, we identified a significant risk that the fair value of inflation</p>	<p>We, with the support of our Treasury specialists, performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Assessed the design and implementation of key controls relating to the valuation of derivatives;</li><li>• On a sample basis, performed independent valuation testing on the derivatives, including the credit risk adjustment as at 31 December 2025;</li><li>• Inspected the documentation supporting the super senior nature of interest rate swaps and inflation linked swaps where a higher recovery rate than the currency swaps is used in the valuation and evaluated whether the rate used is in line with the expected market rate;</li><li>• Obtained third party confirmations from the financial institutions with which the entity holds derivative instruments to assess the completeness and valuation of the instruments;</li><li>• Tested the estimation of the credit risk and quantum of the recovery rate applied to the super senior derivatives; and</li></ul>

# Heathrow Funding Limited

## Independent auditors' report to the members of Heathrow Funding Limited *continued*

Key audit matter	How our audit addressed the key audit matter
linked and interest rate swaps ranking as super senior in the priority of payments may be misstated. The risk is principally driven by the estimation of the valuation of credit risk of the swaps, in particular the assumed loss given default percentage applied to the valuation of these derivatives.	<ul style="list-style-type: none"> <li>Assessed management's derivative fair value disclosures in the financial statements, including the sensitivity analysis set out in notes to the financial statements.</li> </ul> <p>The results of our procedures above did not identify any material exceptions. We consider management's derivative fair value disclosures in the financial statements to be reasonable.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Our audit effort included substantive testing of material financial statement line items.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£52.3m (2024: £69.3m).
<i>How we determined it</i>	0.5% of external borrowing
<i>Rationale for benchmark applied</i>	The primary purpose of the Company is to raise debt instruments from external sources and provide funding to Heathrow (SP) Limited and its subsidiaries. We have therefore used total external borrowings as the benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £39m (2024: £52m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £2.6m (2024: £3.4m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# Heathrow Funding Limited

## Independent auditors' report to the members of Heathrow Funding Limited *continued*

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's models supporting the going concern assessment, including the assumptions adopted in relation to the passenger forecast, and ensuring appropriate stress test scenarios were considered. We challenged management's key cash flow assumptions by performing our own sensitivity analysis;
- Evaluating management's assumptions in light of both historical and post year end performance and assessing consistency with other evidence obtained during the course of our audit work;
- Understanding the financial covenants associated with external debt and assessing the forecast covenant calculations; and
- Assessing the adequacy of management's disclosures in relation to the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

# Heathrow Funding Limited

## Independent auditors' report to the members of Heathrow Funding Limited *continued*

### Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies (Jersey) Law 1991, Heathrow Airport's continued access to its CAA operating license, and UK Corporation Tax, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance regarding actual or potential litigations, claims, instances of non-compliance with laws and regulations;
- Reading the Board minutes to identify any issues which could indicate non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates in relation to the valuation of derivative financial instruments (see related key audit matter above);
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations; and
- Incorporating elements of unpredictability in our audit approach.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Heathrow Funding Limited

Independent auditors' report to the members of Heathrow Funding Limited *continued*

### Other required reporting

#### Companies (Jersey) Law 1991 exception reporting

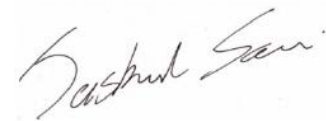
Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company, or proper 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.

We have no exceptions to report arising from this responsibility.

#### Appointment

We were first appointed by company for the financial year ended 31 December 2020. Our uninterrupted engagement covers 6 financial years.



Jaskamal Sarai  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
Watford  
3 June 2026

# Heathrow Funding Limited

## Statement of comprehensive income for the year ended 31 December 2025

	<i>Note</i>	<b>Year ended 31 December 2025</b>	Year ended 31 December 2024
		<b>£m</b>	£m
<b>Financing</b>			
Finance income	2	<b>974</b>	841
Finance costs	2	<b>(974)</b>	(841)
Fair value (loss)/gain on financial instruments	2	<b>(98)</b>	137
<b>(Loss)/profit before tax</b>		<b>(98)</b>	137
Taxation charge	3	-	-
<b>(Loss)/profit for the year</b>		<b>(98)</b>	137
<b>Total comprehensive (expense)/income for the year</b>		<b>(98)</b>	137

The notes on pages 16 to 29 form part of these financial statements.

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# Heathrow Funding Limited

## Statement of financial position as at 31 December 2025

	Note	31 December 2025 £m	31 December 2024 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Trade and other receivables	4	13,120	12,901
Derivative financial instruments	6	1,689	2,293
		<b>14,809</b>	15,194
<b>Current assets</b>			
Trade and other receivables	4	1,201	1,118
Derivative financial instruments	6	183	17
		<b>1,384</b>	1,135
<b>Total assets</b>		<b>16,193</b>	16,329
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	5	(13,181)	(12,826)
Derivative financial instruments	6	(1,694)	(2,359)
		<b>(14,875)</b>	(15,185)
<b>Current liabilities</b>			
Borrowings	5	(1,223)	(1,040)
Derivative financial instruments	6	(149)	(60)
		<b>(1,372)</b>	(1,100)
<b>Total liabilities</b>		<b>(16,247)</b>	(16,285)
<b>Net (liabilities)/assets</b>		<b>(54)</b>	44
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital	8	-	-
(Accumulated losses)/Retained earnings		(54)	44
<b>Total equity</b>		<b>(54)</b>	44

The notes on pages 16 to 29 form part of these financial statements.

These financial statements of Heathrow Funding Limited (Company registration number: 99529) on pages 12 to 29 were approved by the Board of Directors and authorised for issue on 3 June 2026. They were signed on its behalf by:



**Yuanyuan (Sally) Ding**  
Director



**Martin Bailey**  
Director

# Heathrow Funding Limited

Statement of changes in equity for the year ended 31 December 2025

	Attributable to owners of the Company		
	Share capital £m	(Accumulated losses)/ Retained earnings £m	Total equity £m
Balance as at 1 January 2024	-	(93)	(93)
Comprehensive income			
Profit for the year	-	137	137
Total comprehensive income	-	137	137
<b>Balance as at 31 December 2024</b>	<b>-</b>	<b>44</b>	<b>44</b>
Comprehensive expense			
Loss for the year	-	(98)	(98)
<b>Total comprehensive expense</b>	<b>-</b>	<b>(98)</b>	<b>(98)</b>
<b>Balance as at 31 December 2025</b>	<b>-</b>	<b>(54)</b>	<b>(54)</b>

The notes on pages 16 to 29 form part of these financial statements.

# Heathrow Funding Limited

## Statement of cash flows for the year ended 31 December 2025

<i>Note</i>	<b>Year ended 31 December 2025</b>	Year ended 31 December 2024
	<b>£m</b>	£m
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	<b>(98)</b>	137
<i>Adjustments for:</i>		
Fair value loss/(gain) on financial instruments	<b>98</b>	(137)
<i>Working capital changes:</i>		
Decrease in cash advances to group undertakings	<b>75</b>	994
<b>Net cash generated from operating activities</b>	<b>75</b>	994
<b>Cash flows from financing activities</b>		
Proceeds from issuance of bonds	<b>1,121</b>	544
Repayment of bonds	<b>(948)</b>	(879)
Fees and other financing items	<b>(5)</b>	(3)
Settlement of accretion on index-linked swaps	<b>(86)</b>	(10)
Early settlement of accretion on index-linked swaps <sup>(1)</sup>	<b>(157)</b>	(660)
Inflation swap restructuring <sup>(2)</sup>	-	14
<b>Net cash used in financing activities</b>	<b>(75)</b>	(994)
<b>Net change in cash and cash equivalents</b>	<b>-</b>	-
Cash and cash equivalents at beginning of year	-	-
<b>Cash and cash equivalents at end of year</b>	<b>-</b>	-

(1) The Company has elected to early pay £157 million (2024: £631 million) of accrued accretion and £nil of prepaid accretion (2024: £29 million), which was due to be settled within the next 12 months in line with the liquidity profile assessment of the Company.

(2) In 2024, the Company restructured two inflation-linked swaps by shortening the maturities from 2035. This resulted in a cash inflow to the Group of £14 million made up of £68 million net future interest less £54 million future accretion.

The notes on pages 16 to 29 form part of these financial statements.

# Heathrow Funding Limited

## Accounting policies for the year ended 31 December 2025

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

### The Company

The Company is a direct subsidiary of Heathrow (SP) Limited and forms part of the Heathrow Airport Holdings Limited Group (the 'HAHL Group'). The Company is a limited liability company registered and incorporated in Jersey. The registered office is IFC 5, St Helier, Jersey, JE1 1ST.

### Basis of preparation

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies (Jersey) Law 1991. They are prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value in accordance with FRS 102 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

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

The Company has adopted the following standards that are relevant to these financial statements instead of those of FRS 102:

- IAS 39 'Financial Instruments: Recognition and Measurement', in compliance with FRS 102. As a result, the accounting requirements of IAS 39 have been applied to all financial instruments instead of those of FRS 102 (s.11 and s.12).

The Financial Reporting Council ('FRC') issued an updated version of FRS 102 in March 2024. The new FRS 102 is effective for accounting periods beginning on or after 1 January 2026. The Directors do not anticipate significant effects on the Company's future financial statements.

### Exemption for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parents, Heathrow (SP) Limited, Heathrow Finance plc, Heathrow Airport Holdings Limited and FGP Topco Limited (the 'Groups'), which may be obtained by writing to the Company Secretarial Department at the Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions, therefore, the Company has taken advantage of the following exemptions in its individual financial statements:

- The requirement from disclosing related party transactions with entities that are wholly owned subsidiaries of the FGP Topco Limited Group.
- From providing certain other disclosures regarding key management personnel.

### Going concern

The Directors have prepared the financial information presented within these financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company is part of the wider Heathrow Group of companies, with the ultimate parent undertaking being FGP Topco Limited. In considering the going concern assessment, the Directors have considered both the individual circumstances of the Company but also the wider Group given the corporate structure. The Company's ability to continue as a going concern is underpinned by the activities of the Group, with cash generation from the main operating company, Heathrow Airport Limited, and liquidity and debt covenant requirements at Heathrow (SP) Limited and Heathrow Finance plc group levels.

Full detail of the considerations for the Heathrow Group, including a description of the challenges facing the Group and the scenarios modelled, are included within the going concern policy on pages 124 to 125 of the annual report and financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2025. Having had regard to both liquidity and debt covenants and considering a severe but plausible downside and reverse stress testing, the Heathrow Airport Holdings Limited Directors have concluded that there is sufficient liquidity available to meet the Group's funding requirements. The Directors of the Company have reviewed this assessment and updated liquidity forecasting of the Group to June 2027 and are satisfied that sufficient liquidity remains at the date of these financial statements.

# Heathrow Funding Limited

**Accounting policies** for the year ended 31 December 2025 *continued*

## **Going concern** *continued*

The Company raises debt and associated derivatives on behalf of its fellow subsidiary, Heathrow Airport Limited, which are passed on through back-to-back Borrower Loan Agreements ('BLAs'). When the Company's debt and derivatives are due for repayment, the corresponding BLAs are recalled from Heathrow Airport Limited.

The Company and Heathrow Airport Limited are both within the Heathrow (SP) Limited independent securitised group and are Obligor under the security agreement. Each Obligor guarantees the obligations of each other Obligor and the Directors have assessed the Obligor's financial ability to provide these guarantees.

Accordingly, the Directors have concluded that there is sufficient liquidity available to meet the Company's funding requirements for at least 12 months from the date of approval of these financial statements and that it is appropriate to adopt a going concern basis for their preparation.

## **Financing**

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Finance costs are recognised using the effective interest rate method.

## **Taxation**

Whilst the Company is incorporated outside the UK, it is treated as a UK resident company for tax purposes. The Company qualifies as a 'securitisation company' within the scope of the Taxation of Securitisation Companies Regulations 2006 under UK tax law. Therefore, its annual results are not subject to corporation tax and instead a nominal fixed amount of £20,000 is taxed every year.

## **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the statement of comprehensive income.

Borrowings from group undertakings include the balance of the Borrower Loan Agreements ('BLAs') payable by the group undertaking to Heathrow Funding Limited. Advances under the BLAs are secured and are issued on substantially the same terms as the bonds issued by Heathrow Funding Limited. The advances are carried at amortised cost with the interest expense recognised using the effective interest method. The nominal amount of the index-linked borrowings is accreted for inflation component recognised within interest payable in the statement of comprehensive income.

## **Debt issue costs**

Prepaid fees in relation to the future issuance of debt are held on the statement of financial position on the basis that such issuance is considered probable. If issues do not occur, or are deemed not to be probable, such fees are recognised in the statement of comprehensive income.

## **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Derivative instruments are not designated in hedge accounting relationships and are subsequently accounted for at fair value with movements in fair value being recognised within fair value gains/(losses) on financial instruments in the statement of comprehensive income. The interest payable and receivable on those derivatives are recorded at their net amount in finance costs in the statement of comprehensive income.

Certain derivatives, as indicated by their fair value at inception or immediately prior to the restructuring, cannot be supported by observable inputs alone. These 'day 1' fair values are supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. These amounts are deferred on the statement of financial position and recognised in the income statement on a straight-line basis over the life of the underlying derivative instrument.

## Heathrow Funding Limited

**Accounting policies** for the year ended 31 December 2025 *continued*

### **Amounts owed to/by group undertakings**

Amounts owed to/by 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

### **Share capital**

Ordinary shares are classified as equity and are recorded at the fair value of proceeds received, net of direct issue costs.

### **Foreign currency**

The Company financial statements are presented in Sterling, which is the Company's functional currency.

Transactions denominated in foreign currencies are initially recorded in the entity's functional currency applying the spot exchange rate using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rates of exchange ruling at the reporting date. Differences arising on translation are charged or credited to the statement of comprehensive income.

## Heathrow Funding Limited

### **Significant accounting judgements and estimates** for the year ended 31 December 2025

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

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

There are no critical judgements.

#### **Key sources of estimation uncertainty**

##### ***Loss given default and assumed recovery rates***

The fair value of financial instruments reflects their credit quality, and the assumed recovery rate which then implies a loss given default rate. The credit risk associated with the Company's derivatives is updated monthly based on current market data, and industry standard default rates. However, certain derivatives are ranked higher in the waterfall priority payments schedule such as interest rate swaps and inflation-linked swaps and therefore apply a super senior recovery rate.

On a semi-annual basis, the Company reviews any material changes to the valuation techniques and market data inputs used.

As all derivative and associated risks are passed to Heathrow Airport Limited, there is no sensitivity applicable to the Company's super senior derivatives.

# Heathrow Funding Limited

## Notes to the financial statements for the year ended 31 December 2025

### 1 Operating costs

#### Auditors' remuneration

The Company's auditors received £226,337 (2024: £224,797) as remuneration for the audit of the Company's financial statements and £206,500 (2024: £230,640) as remuneration for non-audit fees related to services provided in connection with bond issuances, the costs of which were borne by Heathrow Airport Limited.

#### Employee information

The Company has no employees (2024: none).

#### Directors' remuneration

Sally Ding was a director of a number of companies within the HAHL Group during the year. Their remuneration for the year ended 31 December 2025 was included in the disclosure in the financial statements of Heathrow Airport Holdings Limited. Martin Bailey and Christelle Lubin were directors of a number of companies within the HAHL Group. They were paid by, but are not directors of, Heathrow Airport Limited. Their remuneration for the year ended 31 December 2025 was included in the disclosure in the financial statements of Heathrow Airport Limited. Heathrow Airports Limited bears the full cost of their employment and such costs are not recharged to other Group companies. The directors do not believe it is possible to accurately apportion their remuneration to individual companies based on services provided.

None of the directors (2024: none) exercised share options during the year in respect of their services to the HAHL Group and no shares (2024: none) were received or became receivable under long term incentive plans.

During the year, one of the directors (2024: one) had retirement benefits accruing to them under a defined benefit scheme and two of the directors (2024: two) were members of a defined contribution scheme.

### 2 Financing

	Year ended 31 December 2025	Year ended 31 December 2024
	£m	£m
<b>Finance income</b>		
Interest receivable from group undertakings	974	841
Total finance income	974	841
<b>Finance costs</b>		
Interest payable on external borrowings	(610)	(550)
Net interest payable on derivatives	(364)	(291)
Total finance costs	(974)	(841)
<b>Net finance income before fair value (loss)/gain on financial instruments</b>	-	-
<b>Fair value gain/(loss) on financial instruments</b>		
Index-linked swaps with external counterparties	277	107
Index-linked swaps as internal derivatives with Heathrow Airport Limited	(274)	(111)
Cross-currency swaps with external counterparties and retranslation of foreign currency debt <sup>(1)</sup>	(101)	141
Interest rate swaps with external counterparties	116	245
Interest rate swaps as internal derivatives with Heathrow Airport Limited	(116)	(245)
Fair value (loss)/gain on financial instruments	(98)	137
<b>Net finance (expense)/income</b>	(98)	137

(1) Includes foreign exchange retranslation gain on the currency bonds of £213 million (2024: £422 million) which has moved systematically in the opposite direction to that of the -cross-currency swaps which economically hedge the related currency.

The fair value gain or loss on financial instruments relates to the derivative financial instruments, which are subject to external financial market fluctuations.

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 3 Taxation charge

	Year ended 31 December 2025	Year ended 31 December 2024
	£m	£m
<b>UK corporation tax</b>		
Current tax charge at 25% (2024: 25%)	-	-
<b>Taxation charge for the year</b>	-	-

### *Reconciliation of tax charge*

The taxation charge on the Company's (loss)/profit before tax differs from the theoretical amount that would arise by applying the UK statutory tax rate to the accounting (losses)/profits of the Company for the reasons set out in the following reconciliation:

	Year ended 31 December 2025	Year ended 31 December 2024
	£m	£m
<b>(Loss)/profit before tax</b>	<b>(98)</b>	137
<b>Reconciliation of the tax credit/(charge)</b>		
Tax calculated at the UK statutory rate of 25% (2024: 25%)	24	(34)
Income not assessable for tax purposes	(24)	34
<b>Taxation charge for the year</b>	-	-

Whilst the Company is incorporated outside the UK, it is treated as a UK resident company for tax purposes. As the Company qualifies as a 'securitisation company' within the scope of the Taxation of Securitisation Companies Regulations 2006, it is subject to UK corporation tax on a small margin rather than the profit shown in the statement of comprehensive income.

For the year ended 31 December 2025, the profits subject to corporation tax were £20,000 (2024: £20,000) which gave rise to a tax liability of £5,000 (2024: £5,000).

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. Management has performed an assessment of the UK Pillar 2 rules based on the 2025 data and based on the assessment, the FGP Topco Limited Group qualifies for one of the transitional safe harbours provided in the UK Pillar 2 rules. The FGP Topco Limited Group does not have any current tax exposure in relation to Pillar 2.

The FGP Topco Limited Group has a captive insurance company located in the Isle of Man, a jurisdiction with a statutory corporate income tax rate below 15%. As a result, the profits arising in this entity are likely to attract the domestic top-up tax in the Isle of Man. For UK tax purposes these profits are captured by the Controlled Foreign Company ('CFC') regime, against which management expects to receive a tax credit for the Isle of Man domestic top-up tax.

The Company applies the exception under FRS 102 'income tax' amendment for recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

There are no items which would materially affect the future tax charge.

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 4 Trade and other receivables

	31 December 2025	31 December 2024
	£m	£m
<b>Non-current</b>		
Amount owed by group undertakings – interest bearing <sup>(1)</sup>	13,120	12,901
	<b>13,120</b>	<b>12,901</b>
<b>Current</b>		
Interest receivable from group undertakings <sup>(2)</sup>	186	173
Amounts owed by group undertakings – interest bearing <sup>(1)</sup>	1,015	945
	<b>1,201</b>	<b>1,118</b>

(1) Amounts owed by group undertakings - interest bearing largely represent the balance of the BLAs receivable from Heathrow Airport Limited. The advances under the BLAs are secured and are issued on substantially the same terms as the bonds issued by the Company, taking into consideration the related hedging instruments. Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Airport Limited and Heathrow Express Operating Company Limited are joint guarantors in respect of principal, indexation, interest, fees and hedging arrangements in relation to the borrowings of Heathrow Airport Limited under the BLAs.

(2) Interest receivable from group undertakings relates to interest accrued on the BLAs receivable from Heathrow Airport Limited.

## 5 Borrowings

	31 December 2025	31 December 2024
	£m	£m
<b>Current</b>		
<b>Secured</b>		
Bonds		
3.250% C\$500 million due 2025	-	277
1.500% €750 million due 2025	-	620
4.221% £155 million due 2026	155	-
0.450% CHF210 million due 2026	197	-
6.750% £700 million due 2026	699	-
	<b>1,051</b>	<b>897</b>
Interest payable - external	172	143
<b>Total current</b>	<b>1,223</b>	<b>1,040</b>
<b>Non-current</b>		
<b>Secured</b>		
Bonds		
4.221% £155 million due 2026	-	155
6.750% £700 million due 2026	-	698
0.450% CHF210 million due 2026	-	186
1.800% CHF165 million due 2027	154	145
2.650% NOK1,000 million due 2027	74	70
2.694% C\$650 million due 2027	352	361
3.400% C\$400 million due 2028	216	222
2.625% £350 million due 2028	349	348
7.075% £200 million due 2028	199	199
4.150% A\$175 million due 2028	87	86
2.750% £450 million due 2029	447	447
2.500% NOK1,000 million due 2029	73	70
1.500% €750 million due 2030	652	617
3.782% C\$400 million due 2030	216	222
1.125% €500 million due 2030	433	410
3.661% C\$500 million due 2031	270	277
6.450% £900 million due 2031	873	869
Zero-coupon €50 million due January 2032	78	71
6.000% £350 million due 2032 <sup>(1)</sup>	347	346
1.366%+RPI £75 million due 2032	121	116
Zero-coupon €50 million due April 2032	76	69

# Heathrow Funding Limited

## Notes to the financial statements for the year ended 31 December 2025 *continued*

### 5 Borrowings *continued*

	31 December 2025	31 December 2024
	£m	£m
<b>Non-current <i>continued</i></b>		
<b>Secured <i>continued</i></b>		
1.875% €500 million due 2032	435	412
1.5225% CHF220 million due 2032	205	193
0.101%+RPI £182 million due 2032	252	242
3.726% C\$625 million due 2033	342	351
4.500% €650 million due 2033 <sup>(1)</sup>	563	533
1.875% €650 million due 2034	561	531
4.171% £50 million due 2034	50	50
Zero-coupon €50 million due 2034	61	56
0.347%+RPI £75 million due 2035	105	100
3.875% €600 million due 2036 <sup>(1)</sup>	517	-
0.337%+RPI £75 million due 2036	105	100
1.061%+RPI £180 million due 2036	283	272
4.900% C\$600 million due 2037	323	-
3.460% £105 million due 2038	105	105
0.419%+RPI £51 million due 2038	71	68
1.382%+RPI £50 million due 2039	81	77
Zero coupon €86 million due 2039	87	82
3.334%+RPI £460 million due 2039	881	846
0.800% JPY10,000 million due 2039	47	52
1.238%+RPI £100 million due 2040	159	153
0.362%+RPI £75 million due 2041	105	100
5.875% £750 million due 2041	740	740
3.500% A\$125 million due 2041	62	62
6.250% £300 million due 2042	295	-
2.926% £55 million due 2043	54	54
4.625% £750 million due 2046	743	743
4.702% £60 million due 2047	60	60
1.372%+RPI £75 million due 2049	121	116
2.750% £400 million due 2049	393	393
6.070% £70 million due 2056	70	70
6.070% £70 million due 2057	70	70
0.147%+RPI £160 million due 2058	218	211
<b>Total non-current</b>	<b>13,181</b>	<b>12,826</b>
<b>Total borrowings</b>	<b>14,404</b>	<b>13,866</b>
<b>Total borrowings (excluding interest payable)</b>	<b>14,232</b>	<b>13,723</b>

(1) The Company has issued a number of sustainability bonds. Further details on the Sustainability Performance Targets can be found in our Sustainability-Linked Bond Framework at the Heathrow Investor Centre website.

The maturity dates of the Heathrow Funding Limited bonds listed above reflect their scheduled redemption dates that correspond to the maturity dates of the loans between Heathrow Airport Limited and Heathrow Funding Limited. The bonds are not callable in nature and are expected to be repaid on their scheduled redemption date. However, to meet rating agency requirements the bonds have a legal maturity that is two years later, except for the 4.221% £155 million due 2026, 2.625% £350 million due 2028, 6.000% £350 million due 2032, 0.101%+RPI £182 million due 2032, 0.347%+RPI £75 million due 2035, 0.337%+RPI £75 million due 2036, 1.061%+RPI £180 million due 2036, 3.460% £105 million due 2038, 0.419%+RPI £51 million due 2038 and 0.362%+RPI £75 million due 2041 bonds wherein the redemption dates coincide with their legal maturity dates.

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 5 Borrowings *continued*

### Fair value of borrowings

	31 December 2025		31 December 2024	
	Book value £m	Fair value <sup>(1)</sup> £m	Book value £m	Fair value <sup>(1)</sup> £m
<b>Current</b>				
Bonds	1,051	1,067	897	892
<b>Non-current</b>				
Bonds	13,181	12,271	12,826	11,895
	<b>14,232</b>	<b>13,338</b>	<b>13,723</b>	<b>12,787</b>

(1) Fair values of borrowings are for disclosure purposes only. Bonds are taken from Bloomberg while Class B RPI inflation linked debt fair values are based on discounted cash flow valuations.

Accrued interest is included as a current borrowings balance and not in the carrying amount of non-current borrowings. The fair value of listed borrowings is based on quoted prices (thereby classified as Level 1) at the statement of financial position date. For unlisted borrowings, the Company establishes fair values by using discounted cash flow analysis utilising yield curves derived from observable market data, which are adjusted to allow for any relevant credit risk (Level 2). The fair value of borrowings which have floating rate interest are assumed to materially equate to their nominal value. As at 31 December 2025, the fair value of debt classified as Level 1 and Level 2 was £12,655 million and £683 million respectively (2024: £12,117 million and £670 million respectively).

### Securities and guarantees

The Company has given Deutsche Trustee Company Limited (the 'Bond Trustee') a covenant to pay and discharge, when due, to each of the Issuer Secured Creditors (including Bondholders) all Issuer Secured Liabilities (including all amounts due under the Bonds). The Bond Trustee holds the benefit of that covenant on trust for itself and the Issuer Secured Creditors. The Company has also granted security to the Bond Trustee (for itself and as trustee for the Issuer Secured Creditors) over its property, assets, undertakings and rights to secure the covenant to pay and discharge the Issuer Secured Liabilities.

All borrowings issued by the Company are on-lent to Heathrow Airport Limited under the BLA. The advances under the BLA are issued on substantially the same terms as the new bonds issued by the Company, taking into consideration the related hedging instruments. Foreign currency bonds and the related cross-currency swaps are packaged together and on-lent to Heathrow Airport Limited.

## 6 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
<b>31 December 2025</b>				
<b>Current</b>				
Cross-currency swaps	161	34	-	34
<i>Interest rate swaps:</i>				
with counterparties external to the SP Group	2,205	-	(104)	(104)
with fellow subsidiary Heathrow Airport Limited	2,205	104	-	104
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	200	-	(45)	(45)
with fellow subsidiary Heathrow Airport Limited	200	45	-	45
	<b>4,971</b>	<b>183</b>	<b>(149)</b>	<b>34</b>
<b>Non-current</b>				
Cross currency swaps	5,731	164	(208)	(44)
<i>Interest rate swaps:</i>				
with counterparties external to the SP Group	5,673	520	(311)	209
with fellow subsidiary Heathrow Airport Limited	5,673	311	(520)	(209)
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	4,777	283	(462)	(179)
with fellow subsidiary Heathrow Airport Limited	4,631	411	(193)	218
	<b>26,485</b>	<b>1,689</b>	<b>(1,694)</b>	<b>(5)</b>
<b>Total</b>	<b>31,456</b>	<b>1,872</b>	<b>(1,843)</b>	<b>29</b>

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 6 Derivative financial instruments *continued*

	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2024				
Current				
Cross-currency swaps	947	11	(54)	(43)
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	470	1	(5)	(4)
with fellow subsidiary Heathrow Airport Limited	470	5	(1)	4
	1,887	17	(60)	(43)
Non-current				
Cross currency swaps	5,062	136	(230)	(94)
<i>Interest rate swaps:</i>				
with counterparties external to the SP Group	7,378	633	(640)	(7)
with fellow subsidiary Heathrow Airport Limited	7,378	640	(633)	7
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	4,977	272	(663)	(391)
with fellow subsidiary Heathrow Airport Limited	4,831	612	(193)	419
	29,626	2,293	(2,359)	(66)
Total	31,513	2,310	(2,419)	(109)

Further disclosure of derivative financial instruments can be found in the consolidated financial statements of Heathrow (SP) Limited (external derivative financial instruments) and in the financial statements of Heathrow Airport Limited (internal derivative financial instruments).

The Company does not apply hedge accounting in relation to any of its derivative financial instruments.

As at 31 December 2025, £152 million (2024: £179 million) remained deferred on the statement of financial position and £27 million (2024: £35 million) had been recognised in the statement of comprehensive income for the period.

In relation to the internal swaps with Heathrow Airport Limited, £146 million remained deferred on the statement of financial position as at 31 December 2025 (2024: £174 million) and £28 million (2024: £28 million) had been recognised in the statement of comprehensive income for the period.

The Company has index-linked derivative financial instruments where changes in RPI are capitalised to the carrying value of the instrument over its life, with scheduled payments every 5 years. The Company has paid scheduled accretion of £86 million (2024: £10 million) and also elected to make £157 million (2024: £631 million) of early cash repayments of its accrued accretion and an additional £nil (2024: £29 million) of prepaid accretion in advance of the schedule repayment dates, which has had the effect of reducing future accretion payments by £162 million (2024: £684 million).

### Interest rate swaps

Interest rate swaps have been entered into by the Company to hedge against variability in interest cash flows on current and future debt issuances.

### Cross-currency swaps

Cross-currency swaps have been entered into by the Company to hedge currency risk on interest and principal payments on its foreign currency-denominated bond issues.

### Index-linked swaps

Index-linked swaps have been entered into by the Company to economically hedge RPI linked revenue and Regulatory Asset Base of Heathrow Airport Limited.

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 7 Financial instruments

### *Financial risk management objectives and policies*

The SP Group's principal financial instruments (other than derivatives) comprise of loans, term notes, listed bonds, cash and short-term deposits; the main purpose of these instruments is to raise finance for the SP Group's operations; and additionally include trade and other receivables, trade and other payables and lease liabilities.

The SP Group also enters into derivative transactions, principally interest rate swaps, index-linked swaps, cross-currency swaps and foreign exchange contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the SP Group's operations and its sources of finance.

The SP Group mitigates the risk of mismatch between Heathrow's aeronautical income and its Regulatory Asset Base, which are directly linked to changes in the retail prices index, and nominal debt and interest payments by the use of index-linked instruments.

The SP Group's policy does not permit use of derivatives for speculative purposes. The treasury function operates on a centralised basis, where derivatives are only used for economic hedging purposes and not as speculative investments and are classified as 'held for trading' and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period, otherwise they are classified as non-current.

The main risks arising from the SP Group's financial instruments are market risk (including fair value interest rate, foreign currency, cash flow interest rate and price risks), credit risk and liquidity risk. The Board approves prudent treasury policies for managing each of the risks. All derivative and associated risks for the Company are passed to Heathrow Airport Limited.

### *Interest rate risk*

The SP Group's policy is to maintain a mix of fixed and floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. It manages its cash flow interest rate risk by using floating or fixed interest rate swaps, where at three or six-month intervals the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts are exchanged.

### *Financial instruments by category*

The Company's financial instruments as classified in the financial statements can be analysed under the following categories:

<b>31 December 2025</b>	<b>Financial assets at amortised cost and cash equivalents</b>	<b>Assets at fair value through statement of comprehensive income</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Derivative financial instruments	-	<b>1,872</b>	<b>1,872</b>
BLA Intercompany receivables	<b>14,321</b>	-	<b>14,321</b>
<b>Total financial assets</b>	<b>14,321</b>	<b>1,872</b>	<b>16,193</b>

<b>31 December 2025</b>	<b>Financial liabilities at amortised cost</b>	<b>Liabilities at fair value through statement of comprehensive income</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowings	<b>(14,404)</b>	-	<b>(14,404)</b>
Derivative financial instruments	-	<b>(1,843)</b>	<b>(1,843)</b>
<b>Total financial liabilities</b>	<b>(14,404)</b>	<b>(1,843)</b>	<b>(16,247)</b>

# Heathrow Funding Limited

## Notes to the financial statements for the year ended 31 December 2025 *continued*

### 7 Financial instruments *continued*

31 December 2024	Financial assets at amortised cost and cash equivalents	Assets at fair value through statement of comprehensive income	Total
	£m	£m	£m
Derivative financial instruments	-	2,310	2,310
BLA Intercompany receivables	14,019	-	14,019
<b>Total financial assets</b>	<b>14,019</b>	<b>2,310</b>	<b>16,329</b>

31 December 2024	Financial liabilities at amortised cost	Liabilities at fair value through statement of comprehensive income	Total
	£m	£m	£m
Borrowings	(13,866)	-	(13,866)
Derivative financial instruments	-	(2,419)	(2,419)
<b>Total financial liabilities</b>	<b>(13,866)</b>	<b>(2,419)</b>	<b>(16,285)</b>

#### **Fair value estimation**

Financial instruments that are measured in the statement of financial position at fair value are classified by the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 31 December 2025 and 2024, all fair value estimates on derivative financial instruments are included in level 2.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (such as derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques and inputs used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Applicable market-quoted swap yield curves adjusted for relevant basis and credit default spreads.
- The recovery rate and associated reduction in credit risk of super senior ranking derivatives (interest rate and index-linked swaps).
- The fair value of derivatives and certain financial instruments are calculated as the present value of the estimated future cash flows based on observable market inputs such as RPI and credit default swap curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

At the restructuring date or initial date of recognition of index-linked swaps, the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring or at initial recognition, cannot be supported by observable inputs alone. These fair values are supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. Differences are deferred on the statement of financial position in compliance with IAS 39.

As at 31 December 2025, £130 million (2024: £154 million) remained capitalised and £24 million (2024: £28 million) had been recognised in the statement of comprehensive income for the period.

# Heathrow Funding Limited

## Notes to the financial statements for the year ended 31 December 2025 *continued*

### 7 Financial instruments *continued*

#### *Fair value estimation continued*

On a semi-annual basis, the SP Group reviews any material changes to the valuation techniques and market data inputs used. The potential impact to the fair value hierarchy is assessed if it is deemed a transfer. Significant transfers between levels are considered effective at the end of the reporting period. During the year there were no transfers between the levels in the fair value hierarchy.

The tables below present the Company's assets and liabilities that are measured at fair value as at 31 December:

31 December 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Assets at fair value through statement of comprehensive income	-	1,872	-	1,872
<b>Total assets</b>	-	1,872	-	1,872
<b>Liabilities</b>				
Liabilities at fair value through statement of comprehensive income	-	(1,843)	-	(1,843)
<b>Total liabilities</b>	-	(1,843)	-	(1,843)

31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Assets at fair value through statement of comprehensive income	-	2,310	-	2,310
<b>Total assets</b>	-	2,310	-	2,310
<b>Liabilities</b>				
Liabilities at fair value through statement of comprehensive income	-	(2,419)	-	(2,419)
<b>Total liabilities</b>	-	(2,419)	-	(2,419)

### 8 Share capital

	Number of shares	Nominal value £
<b>Called up, allotted and fully paid</b>		
Ordinary shares of no par value		
As at 1 January and 31 December 2025	2	2

The Company's articles of association do not contain any authorised share capital restriction.

The ordinary shares each carry one voting right. There are no restrictions on the distribution of dividends or the repayment of capital.

#### **Nature and purpose of reserves**

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
(Accumulated losses)/retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

# Heathrow Funding Limited

Notes to the financial statements for the year ended 31 December 2025 *continued*

## 9 Note to the statement of cash flows

### Reconciliation in net debt

Net debt comprised the Company's consolidated borrowings excluding interest accruals.

	1 January 2025	Cash flow	Transfers from non-current to current	Other non- cash changes	31 December 2025
	£m	£m	£m	£m	£m
Current debt	(897)	948	(1,040)	(62) <sup>(1)</sup>	(1,051)
Non-current debt	(12,826)	(1,116)	1,040	(279) <sup>(2)</sup>	(13,181)
<b>Net debt</b>	<b>(13,723)</b>	<b>(168)</b>	<b>-</b>	<b>(341)</b>	<b>(14,232)</b>

(1) Comprises of movements on foreign exchange loss of foreign debt of £59 million and amortisation of issue costs, premiums and discounts of £3 million.

(2) Comprises of movements on foreign exchange loss of foreign debt of £154 million, amortisation of issue costs, premiums and discounts of £9 million, accretion accruals of £102 million and zero-coupon accruals of £14 million.

	1 January 2024	Cash flow	Transfers from non-current to current	Other non- cash changes	31 December 2024
	£m	£m	£m	£m	£m
Current debt	(973)	879	(944)	141 <sup>(1)</sup>	(897)
Non-current debt	(13,416)	(541)	944	187 <sup>(2)</sup>	(12,826)
<b>Net debt</b>	<b>(14,389)</b>	<b>338</b>	<b>-</b>	<b>328</b>	<b>(13,723)</b>

(1) Comprises of movements on foreign exchange gain of foreign debt of £144 million and amortisation of issue costs, premiums and discounts of £3 million.

(2) Comprises of movements on foreign exchange gain of foreign debt of £278 million, amortisation of issue costs, premiums and discounts of £10 million, accretion accruals of £75 million and zero-coupon accruals of £6 million.

## 10 Ultimate parent undertaking

The immediate parent undertaking of the Company is Heathrow (SP) Limited.

The ultimate parent undertaking and controlling party is FGP Topco Limited.

FGP Topco Limited is the parent undertaking of the largest group to consolidate these financial statements. The parent undertaking of the smallest group to consolidate these financial statements is Heathrow (SP) Limited. Copies of the consolidated financial statements can be obtained by writing to the Company Secretarial Department at the registered office of The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

## 11 Subsequent events

On 5 February 2026, the Company issued a £400 million bond with a final maturity of 5 February 2034.

On 14 April 2026, the Company issued a C\$600 million bond with a final maturity date of 14 April 2035.

On 7 May 2026, the Company issued a CHF 205 million bond with a final maturity of 5 May 2034.