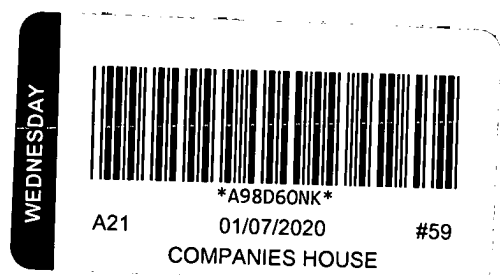


Company Registration No. 03189276 (England and Wales)

**HEATHROW AIRPORT FUEL COMPANY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2019**



# HEATHROW AIRPORT FUEL COMPANY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	M D Briggs V Guy M S Hayward R L A Hone C J Stacey A C F Taylor S Zain R Squitieri
<b>Secretary</b>	Shell Corporate Secretary Limited
<b>Company number</b>	03189276
<b>Registered office</b>	Building 1204 Sandringham Road Heathrow Airport Hounslow Middlesex TW6 3SH
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants One London Square Cross Lanes Guildford Surrey GU1 1UN

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# HEATHROW AIRPORT FUEL COMPANY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present the strategic report for the year ended 31 December 2019.

#### **Fair review of the business**

The company operates only at Heathrow Airport. A reduction in throughput charges and an increase in costs during the year resulted in a decrease in profit.

The company made a profit after taxation during the year of £2,020,000 (2018: £4,100,000).

Interim dividends of £2,328,000 (£3,326 per £1 share) were paid during the year (2018: £2,670,000 - £3,814 per £1 share).

The company's cash flow continues to be strong with cash at the balance sheet date of £11.4m (2018: £11.7m), after scheduled loan capital repayments.

The Board's key measurement of financial KPIs is the company's operating cost and project expenditure performance against budget. The Board is satisfied that the company remained broadly within these budgeted parameters during 2019.

#### **Strategic management**

The company has four key strategic priorities, which are to:

- ensure and assure that the fuel delivered at Heathrow is fit for purpose;
- achieve excellent Health, Safety, Security and Environmental performance;
- achieve excellent Process Safety Performance and to achieve the highest possible level of operational continuity; and
- maintain full compliance with all legal and mandatory requirements.

The company's non-financial KPIs relate to performance against each of its four key priorities:

- The company measures the quality of the aviation fuel;
- Health, Safety, Security and Environmental performance is assessed using a number of standard Joint Inspection Group (JIG) measures;
- Process safety performance indicators relate to risk assessments, maintenance & inspection and people; and
- Operational continuity performance is assessed by reviewing the frequency and duration of shut-downs.

The Board considers that the performance against all of these measures remained within acceptable limits during 2019.

#### **Future developments**

In October 2016, the UK government announced a decision to allow a third runway to be built at Heathrow. The Court of Appeal ruled in February 2020 that the decision to approve the Heathrow expansion had been unlawful. In May 2020, the Supreme Court granted Heathrow and Arora Holdings permission to appeal the Appeal Court decision.

With regard to Britain's exit from the European Union, the Company does not export to other countries in the European Union and spends less than 1% of its turnover on imports. It has no direct employees, so the question of whether any of them are EU nationals does not arise. At present the company does not expect there to be any material impact on its operations regarding the developments above, but is keeping them under review.

#### **COVID-19**

On 11 March 2020, the World Health Organisation declared the global COVID-19 situation a pandemic. On 23 March 2020, the Prime Minister of the UK instructed British people to stay at home, other than for four specific and limited reasons. The company introduced measures to achieve the necessary levels of social distancing and hygiene within the workplace. Fuel demand dropped by approximately 80%. As at 30 April 2020, the Company held £11.7m in liquid funds. From a cashflow perspective, the company is projected as being able to withstand an 80% reduction in volume for a period of at least 12 months if required.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### **Principle risks and uncertainties**

The company's principal risks and uncertainties comprise operational risk, financial risks, health and safety, and environmental. Policies relating to these risks are set out in the paragraphs below. Additionally the company recognises the risks posed to its business as a result of the COVID-19 pandemic.

#### **COVID-19**

As described above, and despite the ongoing uncertainty surrounding COVID-19, the company is prepared for the year ahead. The fundamentals underlying the business of the company remain sound. In the coming year travel restrictions will affect the overall performance of the business. The financial integrity of the company will however remain sound due to the strength of its balance sheet.

#### **Operational risk management**

Generally, the principal risk for the Company has been a shortage of fuel supply and fuel storage capacity. The Board is satisfied that supplies of jet fuel into the airport were adequate to meet unconstrained demand throughout 2019. Due to the reduction in demand as a result of the COVID-19 pandemic, the risk of fuel shortages is significantly reduced in 2020.

#### **Financial risk management**

**Credit risk** - The company has considered its exposure to customer credit risk and has determined that its risk is negligible.

**Liquidity risk** - The company actively manages its finances by reviewing cash flows, performance against budget and the availability of working capital to ensure that it has sufficient available funds for its operations.

**Interest rate risk** - The company's external borrowings are held at floating rates. The company monitors all interest bearing assets and liabilities and their financial impact.

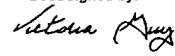
#### **Health and Safety**

The company's conducts its business in a manner that protects the safety of those involved in its operations, customers and the public. The company strives to prevent all accidents, injuries and occupational illnesses through its Health, Safety, Security & Environment (HSSE) Management System. This is embedded into everyday work processes at all levels of the organisation and addresses all aspects of managing safety and health, as well as security, environmental and social risks at our facilities. The company is committed to continuous efforts to identify and eliminate or manage health and safety risks associated with its activities.

#### **Environmental Policy**

The company's policy is to ensure that it conducts its business in a manner that is compatible with the balanced environmental and economic needs of the community. Furthermore, it is the company's policy to comply with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist.

On behalf of the board

DocuSigned by:  
  
3231EB3D9DE04C5...

V Guy

Director

Date: 6/10/2020

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### Principal activities

The principal activity of the company during the year was that of a joint venture corporate vehicle to lease and manage the Perry Oaks aviation fuel tank farm and associated facilities at London Heathrow Airport.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M D Briggs	(Appointed 1 January 2019)
A M Easton	(Resigned 4 January 2019)
V Guy	
M S Hayward	
M M Henderson	(Resigned 28 February 2019)
R L A Hone	
S J Newton	(Resigned 11 July 2019)
C J Stacey	(Appointed 4 January 2019)
A C F Taylor	
P W Vowell	(Resigned 1 January 2019)
S Zain	(Appointed 13 June 2019)
R Squitieri	(Appointed 28 February 2019, resigned 13 June 2019, reappointed 11 July 2019)

#### Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £2,328,000 (2018: £2,670,000). The directors do not recommend payment of a final dividend.

#### Post reporting date events

In March 2020, the World Health Organisation formally recognised COVID-19, the novel strain of coronavirus, as a pandemic. There remains significant uncertainty as to the extent and duration of the global economic impact. The directors are constantly monitoring the situation and are taking all necessary steps to minimise the impact on the business, details of which can be found in the strategic report.

#### Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## DIRECTORS' REPORT (CONTINUED)

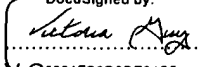
### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Information set out in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the fair review of the business, financial risk management, and the future developments of the business.

On behalf of the board

DocuSigned by:  
  
-----  
V-Guy 1EB3D9DE04C5...

Director

Date: 6/10/2020

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATHROW AIRPORT FUEL COMPANY LIMITED**

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### **Opinion**

We have audited the financial statements of Heathrow Airport Fuel Company Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- 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;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 this regard.

### **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 the 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATHROW AIRPORT FUEL COMPANY LIMITED (CONTINUED)

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### Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*RSM UK Audit LLP*

Jonathan Da Costa FCCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
One London Square  
Cross Lanes  
Guildford  
Surrey, GU1 1UN  
19/6/2020.....

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

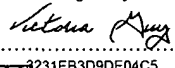
	Notes	2019 £'000	2018 £'000
Revenue	3	9,806	11,230
Cost of sales		(982)	(826)
<b>Gross profit</b>		<b>8,824</b>	<b>10,404</b>
Administrative expenses		(6,008)	(5,364)
<b>Operating profit</b>	<b>5</b>	<b>2,816</b>	<b>5,040</b>
Investment income	7	64	51
Finance costs	8	(313)	(316)
<b>Profit before taxation</b>		<b>2,567</b>	<b>4,775</b>
Tax on profit	9	(547)	(675)
<b>Profit for the financial year</b>		<b>2,020</b>	<b>4,100</b>

Company Registration No. 03189276

**HEATHROW AIRPORT FUEL COMPANY LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

		2019	2018
	Notes	£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	11	20,901	23,752
<b>Current assets</b>			
Trade and other receivables	12	1,576	2,184
Cash and cash equivalents		11,441	11,724
		13,017	13,908
<b>Current liabilities</b>	13	(4,193)	(4,498)
<b>Net current assets</b>		8,824	9,410
<b>Total assets less current liabilities</b>		29,725	33,162
<b>Non-current liabilities</b>	14	(14,302)	(17,163)
<b>Provisions for liabilities</b>	16	(686)	(954)
<b>Net assets</b>		14,737	15,045
<b>Equity</b>			
Called up share capital	18	1	1
Share premium account	19	7,500	7,500
Retained earnings	19	7,236	7,544
<b>Total equity</b>		14,737	15,045

The financial statements were approved by the board of directors and authorised for issue on 10/6/2020  
and are signed on its behalf by:

DocuSigned by:  
  
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 V Guy  
 Director

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Share premium account	Retained earnings	Total
	Notes	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2018</b>		1	7,500	6,114	13,615
<b>Year ended 31 December 2018:</b>					
Profit and total comprehensive income for the year		-	-	4,100	4,100
Transactions with owners:					
Dividends	10	-	-	(2,670)	(2,670)
<b>Balance at 31 December 2018</b>		1	7,500	7,544	15,045
<b>Year ended 31 December 2019:</b>					
Profit and total comprehensive income for the year		-	-	2,020	2,020
Transactions with owners:					
Dividends	10	-	-	(2,328)	(2,328)
<b>Balance at 31 December 2019</b>		1	7,500	7,236	14,737

**HEATHROW AIRPORT FUEL COMPANY LIMITED****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019	2018
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	6,643	7,109
Interest paid		(340)	(290)
Income taxes paid		(993)	(535)
<b>Net cash generated from operating activities</b>		5,310	6,284
<b>Investing activities</b>			
Purchase of property, plant and equipment		(468)	(154)
Interest received		64	51
<b>Net cash used in investing activities</b>		(404)	(103)
<b>Financing activities</b>			
Repayment of bank loans		(2,861)	(2,860)
Dividends paid		(2,328)	(2,670)
<b>Net cash used in financing activities</b>		(5,189)	(5,530)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(283)	651
Cash and cash equivalents at beginning of year		11,724	11,073
<b>Cash and cash equivalents at end of year</b>		11,441	11,724

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 1 Accounting policies

#### Company information

Heathrow Airport Fuel Company Limited is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is Building 1204 Sandringham Road, Heathrow Airport, Hounslow, Middlesex, TW6 3SH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared with application of the FRS 102 Triennial Review 2017 amendments in full.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

#### Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The company has actively sought to utilise the government schemes launched in support of businesses in the UK as a result of the COVID-19 pandemic. As described in the Strategic Report the company has recognised and treated the COVID-19 pandemic as posing a significant risk to the health and safety of individuals working at its location, and to its business.

#### Revenue

Revenue is recognised as the fair value of the consideration received or receivable for the provision of services in the ordinary nature of the business, and is recognised at the point of delivery of the service. Revenue is shown net of Valued Added Tax.

#### Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings and equipment	3 years straight line
Tanks and pipeworks	Between 3 and 20 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies (Continued)

##### **Assets under construction**

Assets in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the asset to its operating condition. Depreciation commences when the assets are ready for their intended use.

##### **Borrowing costs related to fixed assets**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Impairment of non-current assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

##### **Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies (Continued)

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

#### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.



# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies (Continued)

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

##### **Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There were no estimates and assumptions considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Deferred taxation*

Deferred tax liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

#### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

### 3 Revenue

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom and solely relates to throughput charges receivable.

### 4 Employees

There were no employees during the year apart from the directors.

The directors received no remuneration from the company, as they are senior executives of, and are remunerated by, the shareholders.

The company's facilities are operated by the staff of Heathrow Hydrant Operating Company Limited, a related party, for which a management charge is made (see note 23).

### 5 Operating profit

	2019	2018
	£'000	£'000
Operating profit for the year is stated after charging:		
Depreciation of owned property, plant and equipment	3,319	2,935
Operating lease charges	691	681
	<u>          </u>	<u>          </u>

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

<b>6 Auditor's remuneration</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	17	16
	<u>          </u>	<u>          </u>
<b>For other services</b>		
All other non-audit services	10	9
	<u>          </u>	<u>          </u>
<b>7 Investment income</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on bank deposits	64	51
	<u>          </u>	<u>          </u>
<b>8 Finance costs</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank loans	313	316
	<u>          </u>	<u>          </u>
<b>9 Taxation</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	822	1,134
Adjustments in respect of prior periods	(7)	(263)
	<u>          </u>	<u>          </u>
Total current tax	815	871
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(299)	(219)
Changes in tax rates	31	23
	<u>          </u>	<u>          </u>
Total deferred tax	(268)	(196)
	<u>          </u>	<u>          </u>
Total tax charge	547	675
	<u>          </u>	<u>          </u>

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £'000	2018 £'000
Profit before taxation	2,567	4,775
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	488	907
Tax effect of expenses that are not deductible in determining taxable profit	14	1
Adjustments in respect of prior years	(7)	(263)
Effect of change in corporation tax rate	-	23
Effect of change in deferred tax rate	31	-
Fixed asset differences	44	44
Adjustments to brought forward values	(23)	(37)
Taxation charge for the year	547	675

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. However, on 1 April 2020, the decision to lower the rate to 17% was reversed and the corporation tax rate of 19% will be maintained.

Deferred taxes at the balance sheet date have been measured using these enacted rate of 17% which is reflected in these financial statements. The reversal to 19% will reduce the company's deferred tax liability in the following year.

#### 10 Dividends

	2019 £'000	2018 £'000
Interim paid	2,328	2,670

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 11 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Tanks and pipeworks £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	31	68,999	69,030
Additions	-	468	468
At 31 December 2019	31	69,467	69,498
<b>Depreciation</b>			
At 1 January 2019	31	45,247	45,278
Depreciation charged in the year	-	3,319	3,319
At 31 December 2019	31	48,566	48,597
<b>Carrying amount</b>			
At 31 December 2019	-	20,901	20,901
At 31 December 2018	-	23,752	23,752

Included within Tanks and pipeworks are capitalised finance costs of £3,896,960 (2018: £3,896,960) and assets under the course of construction of £208,000 (2018: £154,000).

#### 12 Trade and other receivables

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	916	1,702
Corporation tax recoverable	79	-
Other receivables	125	137
Prepayments and accrued income	456	345
	<u>1,576</u>	<u>2,184</u>

#### 13 Current liabilities

	Notes	2019 £'000	2018 £'000
Bank loan	15	2,861	2,861
Corporation tax payable		-	99
Trade payables		557	963
Amounts due to related parties		486	414
Accrued interest		116	143
Accruals and deferred income		173	18
		<u>4,193</u>	<u>4,498</u>

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 14 Non-current liabilities

	Notes	2019 £'000	2018 £'000
Bank loans	15	14,302	17,163

Amounts included above which fall due after five years are as follows:

Payable by instalments	2,861	5,721
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### 15 Borrowings

	2019 £'000	2018 £'000
Bank loans	17,163	20,024
Payable within one year	2,861	2,861
Payable after one year	14,302	17,163

A fixed and floating charge over all the assets of the company has been given as security for the loan. The loan is repayable by January 2025, by way of consecutive semi-annual instalments of £1,430,250. Interest is charged on the outstanding balance at LIBOR plus 0.8%.

### 16 Provisions for liabilities

	Notes	2019 £'000	2018 £'000
Deferred tax liabilities	17	686	954

### 17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £'000	Liabilities 2018 £'000
Balances:		
Accelerated capital allowances	686	954

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Deferred taxation (Continued)

	2019 £'000
<b>Movements in the year:</b>	
Liability at 1 January 2019	954
Credit to profit or loss	(268)
	<u>        </u>
Liability at 31 December 2019	<u>686</u>

The deferred tax liability set out above relates to accelerated capital allowances that are expected to mature in the future.

### 18 Share capital

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
700 Ordinary shares of £1 each	1	1
	<u>        </u>	<u>        </u>

#### Ordinary share rights

The company's ordinary share capital, which carry no right to fixed income, carry the right to one vote at general meetings of the company.

### 19 Reserves

#### Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

#### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 20 Cash generated from operations

	2019 £'000	2018 £'000
Profit for the year after tax	2,020	4,100
<b>Adjustments for:</b>		
Taxation charged	547	675
Finance costs	313	316
Investment income	(64)	(51)
Depreciation and impairment of property, plant and equipment	3,319	2,935
<b>Movements in working capital:</b>		
Decrease/(increase) in trade and other receivables	687	(745)
(Decrease) in trade and other payables	(179)	(121)
<b>Cash generated from operations</b>	<b>6,643</b>	<b>7,109</b>

Cash and cash equivalents included in the Statement of Cash Flows comprise of cash at bank and in hand. This is consistent with the presentation in the Statement of Financial Position.

### 21 Analysis of changes in net debt

	1 January 2019 £'000	Cash flows £'000	31 December 2019 £'000
Cash at bank and in hand	11,724	(283)	11,441
Borrowings excluding overdrafts	(20,024)	2,861	(17,163)
	(8,300)	2,578	(5,722)

### 22 Operating lease commitments

#### Lessee

Operating lease payments represent rentals payable by the company for use of its premises.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	700	660
Between one and five years	2,801	2,642
In over five years	6,711	6,990
	<b>10,212</b>	<b>10,292</b>



# HEATHROW AIRPORT FUEL COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 23 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel is made via management charges to Heathrow Hydrant Operating Company Limited, a related party, and is as follows:

	2019 £'000	2018 £'000
Aggregate compensation	118	128

There were no key management personnel employed by the company during the year.

All of the turnover of the company relates to the provision of services to its shareholders. At the balance sheet date, and at the end of the prior year, all of the trade debtor balance is owed by shareholders.

During the year the company incurred management charges of £398,000 (2018: £385,000) from Heathrow Hydrant Operating Company Limited, a related party by virtue of common shareholders and common directors. Additionally, the company incurred recharged expenditure of £1,887,000 (2018: £1,366,000) from, and made recharges of £58,000 (2018: £Nil) to Heathrow Hydrant Operating Company Limited. The company owed £465,000 (2018: £658,000) to Heathrow Hydrant Operating Company Limited at the balance sheet date, which is included within trade creditors.

Also during the year, the company paid management charges of £29,000 (2018: £23,000) to one of its shareholders in relation to technical support.

The company was charged £50,000 (2018: £79,000) by its shareholders during the year in relation to participant support costs. At the balance sheet date £8,000 (2018: £41,000) was included within trade creditors.

The company is a member of a consortium for tax purposes and during the year received losses totalling £2,557,386 (2018: £1,368,000) under s402 consortium relief at the standard rate of corporation tax. At 31 December 2019 amounts payable in respect of losses are £972,000 (2018: £414,000) and are included within 'Amounts owed to related parties'.

#### 24 Ultimate controlling party

There is no singular ultimate controlling party.

#### 25 Events after the reporting date

Following the year end on 5 March 2020, a special resolution was passed to reduce the share premium account from £7,499,900 to £nil.

Since the year end, the consequences of the COVID-19 outbreak have materially and adversely disrupted the global economic situation. The Directors consider the event to be non-adjusting in nature and are taking appropriate action to monitor, address and mitigate the uncertainties and risks facing the company as a result. These additional uncertainties have been taken into account in assessing the going concern position by the Directors. It is not possible to reliably estimate the duration and severity of the economic consequences of the pandemic, and its impact on the financial position and results of the company for future periods, although as stated in the Strategic Report it is expected that the company is well-placed to overcome these foreseeably.