

Heathrow Airport Limited (HAL) regulatory accounting guidelines

Table of contents

Introduction.....	3
Objectives of the regulatory accounts.....	3
Accounting periods.....	4
Format and content of the regulatory accounts.....	4
Basis of preparation.....	4
Auditors' report and provision of information to the CAA.....	5
Publication of the regulatory accounts.....	5
Appendix A: Proforma regulatory accounts.....	6

Heathrow Airport Limited (HAL) regulatory accounting guidelines

Introduction

1. These Guidelines set out the requirements for the preparation of the regulatory accounts which Heathrow Airport Limited ("HAL") is required to maintain by virtue of Condition E1 of its Licence issued pursuant to the Civil Aviation Act 2012 (the "Licence"). These Guidelines may be amended from time to time, in consultation with and with the approval of the Civil Aviation Authority ("CAA"), in order to reflect business and regulatory requirements and best practice.
2. From the financial year ended 31 December 2014, the regulatory accounts are to be drawn up in accordance with the requirements of HAL's Licence dated 1 August 2014.

Objectives of the regulatory accounts

3. The purpose of the regulatory accounts is to make available such regulatory accounting information as will:
 1. enable the CAA, airlines and users of air transport services to assess on a consistent basis the financial performance of HAL and the financial performance of the provision of airport operation services and associated services provided in connection with the Airport;
 2. assist the CAA, airlines and users of air transport services to assess performance against the assumptions underlying the current price control conditions in Conditions C1 and C2 of HAL's Licence; and
 3. inform future price control reviews.

Accounting periods

4. The financial year shall run from 1 April 2014 to 31 December 2014. Subsequent financial years shall run from 1 January to the following 31 December unless otherwise agreed with the CAA.

Format and content of the regulatory accounts

5. The regulatory accounts will include the following statements which track HAL's performance against the CAA's regulatory determination:
 - a comparison of performance of HAL with the regulatory assumptions;
 - a record of HAL's rebate payments and bonuses achieved in the Statement of Standards, Rebates and Bonuses in Schedule 1 to the Licence;
 - a record of HAL's performance against the price control in the financial year;
 - a record of revenues from other regulated charges compared with the regulatory assumptions; and
 - a record of the movement in HAL's regulatory asset base calculated in accordance with the basis set out in the price control.
6. A record of the retail price index ('RPI') used to convert between price bases in these statements will be maintained.
7. Proforma regulatory accounts are shown in Appendix A.
8. The notes to the regulatory accounts will explain the basis of the regulatory accounts where this varies from the statutory accounts. Notes to the accounts already included in the statutory accounts for HAL need not be duplicated.

Basis of preparation

9. The regulatory accounts, except so far as the CAA reasonably considers otherwise, shall be prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU from time to time and state the accounting policies to be adopted.

10. The regulatory accounts will be derived from the accounting records which HAL is required to keep by the Companies Act 2006. These accounting records will be kept in such a form as is necessary to enable HAL to comply with Condition E1 of the Licence and these Regulatory Accounting Guidelines.

Auditors' report and provision of information to the CAA

11. HAL will procure a report by the Auditors addressed to the CAA stating whether in their opinion the regulatory accounts including accompanying commentary on performance for the financial year have been properly prepared in accordance with these Regulatory Accounting Guidelines and on that basis fairly present the financial performance of HAL.
12. HAL will deliver to the CAA the Auditor's report and the regulatory accounts as soon as is reasonably practicable, and in any event not later than six months after the end of the Regulatory Period or Regulatory Year to which they relate.

Publication of the regulatory accounts

13. HAL will arrange for copies of the regulatory accounts and the Auditors' report to be made publicly available and, so far as reasonably practicable, to do so when the annual statutory accounts of HAL are made available.

March 2015

APPENDIX A

Proforma HAL regulatory accounts

Heathrow (SP) Limited Regulatory Accounts

9 months ended 31 December 2014



Introduction

Objectives of the Regulatory Accounts

2014 Performance Overview

1. Performance Summary

2. Passenger Summary

3. Revenue

4. Operating Costs

5. Assumed Ordinary Depreciation

6. Exceptional Operating Costs

7. Capital Expenditure

8. Regulated Asset Base (RAB)

9. Basis of Preparation

10. Reconciliations

11. Indexation

12. Independent auditor's report

Appendices

Introduction

Heathrow (SP) Limited, (the 'Company') owns Heathrow Airport Limited ('Heathrow') and Heathrow Express, ('HEX') which together comprise the regulated entity for the purposes of the regulatory accounts.

These regulatory accounts include the following schedules which track Heathrow's performance against the Civil Aviation Authority's ('CAA's') regulatory determination:

- a comparison of the actual financial performance of Heathrow with the regulatory assumptions
- a record of the movement in Heathrow's regulatory asset base, calculated in accordance with the basis used to set the price control for the control period
- a record of the price control in each year
- a record of the RPI inflation indices used to convert between price bases in these statements

For the nine month financial period ended 31 December 2014, the regulatory accounts have been drawn up in accordance with the requirements of the Heathrow Licence dated 1 April 2014 and the regulatory accounting guidelines.

For further information on the preparation of these accounts, please refer to the notes on the basis of preparation and indexation in sections 9 and 11 respectively.

Reconciliations to statutory financial reporting are in section 10.

Objectives of the Regulatory Accounts

The purpose of the regulatory accounts is to make available, in a form and to a standard reasonably satisfactory to the CAA, such audited regulatory accounting information as will, in furtherance of the requirements of this Licence:

- a) enable the CAA, airlines and users of air transport services to assess on a consistent basis the financial position of the Licensee and the financial performance of provision of airport operation services and associated services provided in connection with the Airport;
- b) assist the CAA, airlines and users of air transport services to assess performance against the assumptions underlying the price control conditions in Conditions C1 and C2 of this Licence; and
- c) inform future price control reviews.

2014 Performance Overview

[Text to be provided by HAL]

1. Performance Summary

£m/m unless otherwise stated	Section	Actual	CAA Forecast	Variance	%
Terminal Passengers	2				
Revenue	3				
Airport Charges					
Other Revenue					
Total Revenue					
Expenditure	4				
Operating costs					
Assumed ordinary depreciation	5				
Total Expenditure					
Regulatory operating profit (before exceptional operating costs)					
Exceptional operating costs	6				
Regulatory operating profit					
Capital expenditure	7				
Opening RAB	8				
Closing RAB					
Average RAB					
Return on average RAB (before exceptional operating costs)					
Return on weighted average RAB					

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

The regulatory accounts of Heathrow (SP) Limited were approved by the Board of Directors on xx March 2015 and signed on behalf of the Board by:

Jose Leo - Director

Emma Gilthorpe- Director

2. Passenger Summary

[Text to be provided by HAL]

Heathrow passenger traffic by departing and arriving passengers for the 9 months ended 31 December 2014

millions	Actual	CAA Forecast	Variance	(%)
Departing passengers				
Arriving passengers				
Total passengers				

Heathrow's passenger traffic by geographic segment for the 9 months ended 31 December 2014

millions	Actual	Prior year	Variance	(%)
UK				
Europe				
North America				
Asia Pacific				
Middle East				
Africa and Latin America				
Total passengers				

These figures have been calculated using unrounded passenger numbers

[Text to be provided by HAL]

3. Revenue

Summary

£m	Actual	CAA		Variance	(%)
		Forecast			
Airport charges					
Retail (including car parking)					
Property					
Commercial Revenue					
Other regulated charges					
Rail					
Other					
Other Revenue					
Total revenue					

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Airport Charges – Passenger and Non Passenger

The table below shows a breakdown of the airport charges.

£m	Actual	CAA Forecast	Variance	(%)
Passenger Flights				
Departing passenger charges				
Landing charges				
Parking charges				
Total Passenger Flights				
Actual yield per passenger				
Total Non-Passenger Flights				
Total Airport Charges				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

Passenger

[Text to be provided by HAL]

Non passenger

[Text to be provided by HAL]

Retail Revenue

£m	Actual	CAA Forecast	Variance	%
- Duty and tax-free				
- Airside specialist shops				
- Bureau de change				

- Catering
- Other retail revenue

Retail

Car Parking

Retail expenditure

Net retail income

Terminal passengers

Net retail income per passenger

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Other Regulated Charges Revenue

[Text to be provided by HAL]

£m	Actual	CAA Forecast	Variance	%
Baggage/check-in				
Fixed electrical ground power				
Utilities				
PRM				
Staff car parking & security documentation				
Other income				
Total				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Baggage & Check In

[Text to be provided by HAL]

Fixed Electrical Ground Power

[Text to be provided by HAL]

Utilities

[Text to be provided by HAL]

PRM

[Text to be provided by HAL]

Staff car parking & Security documentation

[Text to be provided by HAL]

Other ORC income

[Text to be provided by HAL]

Rail

[Text to be provided by HAL]

Property

[Text to be provided by HAL]

Intra Group

[Text to be provided by HAL]

Other

[Text to be provided by HAL]

4. Operating Costs

Summary

£m	Actual	CAA Forecast	Variance	%
Staff				
Maintenance & Equipment				
Rent & Rates				
Utilities				
Other expenditure				
Removal of service quality rebates				
Transfer of exceptional costs included in CAA forecast (T2 only not severance)				
Total operating costs				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Staff

[Text to be provided by HAL]

£m	Actual	CAA Forecast	Variance	%
Security				

Other operational
Non operational
Pension cash contribution
Total

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Maintenance and Equipment

[Text to be provided by HAL]

£m	Actual	CAA Forecast	Variance	%
IT & computer services				
Maintenance				
Stores & equipment				
Total				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Rent and Rates

£m	Actual	CAA Forecast	Variance	%
Rent				
Rates				
Total				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Utilities

£m	Actual	CAA Forecast	Variance	%
Electricity				
Water & sewerage				
Gas				
Waste				
Other				
Total				

[Text to be provided by HAL]

Other

£m	Actual	CAA Forecast	Variance	%
Police				
Rail				
Cleaning				
Service quality rebate				
Intra group (BSC)				
PRM costs				
Other (including Air navigation service)				
Total other costs				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

Police

[Text to be provided by HAL]

Rail

[Text to be provided by HAL]

Service Quality Rebate

[Text to be provided by HAL]

Intra group

[Text to be provided by HAL]

Other

[Text to be provided by HAL]

5. Assumed Ordinary Depreciation

[Text to be provided by HAL]

6. Exceptional Operating Costs

[Text to be provided by HAL]

£m	Actual	CAA Forecast	Variance	%
Exceptional pre-tax charge				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

7. Capital Expenditure

Summary

[Text to be provided by HAL]

Core and Development capital expenditure

[Text to be provided by HAL]

£m	£m
Development capex allowance included in the Q6 settlement for 2014	
Actual development capex to transition to core capex projects (including the capital spend incurred during the development stages of projects) for 2014	
Variance	
%	

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

Capital Triggers

[Text to be provided by HAL]

Analysis of expenditure

Target area	Detail	Total Capex (£m)	Triggers incurred (£m)
Airport resilience			
Passenger experience			
Baggage			
		Total	

Further details of actual capital expenditure in 2014 can be found at www.heathrowairport.com/something

Independent Funds Surveyor

[Text to be provided by HAL]

8. Regulatory Asset Base (RAB)

Summary

[Text to be provided by HAL]

Opening Regulatory Asset Base at 1 April 2014

£m	Increase in RPI to 31 March 2014	Adjusted RAB at 1 April 2014
Opening RAB at 1 April 2013		
Additions in the year		
Proceeds from disposal		
Assumed Ordinary Depreciation		
Indexation to 31 March 2014		
Adjusted opening RAB at 1 April 2014		

Closing Regulatory Asset Base at 31 December 2014

£m	Actual	CAA Forecast	Variance	%
Opening RAB at 1 April 2014				
Additions in year				
Proceeds from disposals				
Assumed ordinary depreciation				
Indexation to 31 December 2014				
Closing RAB at 31 December 2014				

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 11

[Text to be provided by HAL]

9. Basis of Preparation

Summary

The Company is required to prepare Regulatory Accounts by the Civil Aviation Act 2012. The primary purpose of these accounts is to serve the process of regulation by the CAA.

The CAA requires that the Regulatory Accounts shall comprise a report in the format shown in

this report. This in turn comprises the Performance Report which sets out actual performance for the year under review compared with the forecasts underlying the determination of the price cap for the Company. These forecasts are set out in the CAA's document entitled 'Economic regulation at Heathrow from April 2014: notice of the proposed licence' ("the Q6 Decision"), following its quinquennial review. The Performance Report includes notes as agreed with the CAA which describe the derivation of key regulatory results and, where relevant, adjustments to the statutory and management accounts of the Company.

The Directors are responsible for preparing the annual regulatory accounts in accordance with the Civil Aviation Authority issued Regulatory Accounting Guidelines.

The following explains the key underlying assumptions in the preparation of this report:

Data Sources

The principal sources of data used in the preparation of these accounts are the audited financial statements for the year ended 31 December 2014 and unaudited management accounts for the three month periods ended 31 March 2014. Together, these are referred to in these Regulatory Accounts as 'the underlying accounts'.

Terminal passengers

Terminal passenger numbers represent those passengers on commercial flights who physically pass through the airport's passenger terminal facilities. Following the change in the structure of airport charges, implemented in April 2011, it now includes transit passengers which numbered 0.05m in 2012/13, 0.05m in 2011/12 and 0.10m in 2010/11. It excludes passenger numbers for the following flight categories, which are included in the table in Note 7 titled 'Airport charges – Passenger flights' from passenger flights provided annually to the CAA: air ambulance, government charter (troops and cargo), air taxi, general aviation, diplomatic and military.

The Regulatory Asset Base ("RAB")

The CAA, in Annex K of its Q6 Decision, determined how the value of the RAB at 31 March 2014 should be calculated, and this is shown in Note 8. The CAA further determined in Annex K how the value of the RAB should be rolled forward annually thereafter.

Capital expenditure in the year has been uplifted by the increase in RPI in accordance with Annex K of the Q6 Decision. Forecast capital expenditure has likewise been uplifted by the increase in RPI, from average 2012/13 prices (as in the Q6 Decision) to average 2014 prices, in accordance with CAA guidance.

The depreciation allowance has been set for each of the five years. This is referred to in Annex H of the Q6 Decision and in this report as 'Assumed Ordinary Depreciation' as shown in Note 5.

The Weighted Average RAB is calculated using the weighting formula adopted in the Q6 Decision. This equates to the sum of the closing balance multiplied by a factor of 0.5 and the opening balance multiplied by a factor of 0.5.

Operating revenues and costs

Operating revenues and costs are taken from the underlying accounts and underlying accounting records of the Company. Adjustments have been made to align the presentation of actual results to that in the Q6 Decision. The principal adjustments are:

- retail costs, principally car park management fees, are netted off against income;
- operational facilities income, principally aviation fuel rents and check in/baggage rents income are re-categorised to other revenue from property revenue;
- service quality rebates are excluded from operating costs; and
- gains or losses on asset disposals are excluded from operating costs.

Indexation

The forecasts have been derived by indexing forward the forecasts in the Q6 decision to 2014 prices in accordance with the CAA Q6 Decision. The appropriate RPI indices are shown in Note 11. Profit and loss items have been indexed forward to 2014 using the average RPI for 2014, and the RAB using the RPI at 31 December 2014.

Forecast

The forecast contained in the regulatory accounts reflects:

- the total other revenue allowance set by the CAA, uplifted by RPI. However, the disaggregated revenue for other traffic charges, property and operational facilities and other is the Company's estimate of the forecasts, and does not represent the CAA's disaggregated other revenue forecast.
- the total operating expenditure allowance set by the CAA, uplifted by RPI. However, the disaggregated operating expenditure is the Company's estimate of the forecasts, and does not represent the CAA's disaggregated operating expenditure forecast.

10. Reconciliations

This section comprises the reconciliations of revenue, operating costs, regulatory operating profit and the closing RAB to the underlying accounts.

Reconciliation of Revenue

Reconciliation to the underlying accounts	£m
Adjusted Other revenue	
Airport charges	
Retail costs netted off against revenue	
Heathrow Consolidation Centre (HCC) income netted off against costs	
Revenue per the underlying accounts	

Reconciliation of Operating Costs

Reconciliation to the underlying accounts		£m
Adjusted operating costs		
Statutory depreciation		
Profit on disposals of tangible fixed assets		
Service Quality Rebate		
Retail costs netted off against revenue		
HCC income netted off against costs		
Operating costs per the underlying accounts excluding exceptional operating costs		
Pension Cash Contribution		
Disallowable expenditure		
Operating costs per the underlying accounts		

Reconciliation of Regulatory Operating Profit

		£m
Regulatory operating profit		
Statutory depreciation		
Service Quality Rebates		
Assumed Ordinary Depreciation		
Profit on disposal of tangible fixed assets		
Operating profit per the underlying accounts		

Reconciliation of Fixed Assets in the underlying accounts to the Closing Basic RAB at 31 December 2014

		£m
Net fixed assets per the underlying accounts at 31 March 2014		
Difference between net fixed assets and RAB at 31 March 2014	(a)	
Interest capitalised disallowed	(b)	
Difference between net book value of disposals and proceeds	(c)	
Revaluation in the underlying accounts	(d)	
Indexation of RAB	(e)	
Difference between depreciation in the underlying accounts and Assumed Ordinary Depreciation	(f)	
Closing basic RAB at 31 December 2014		

Notes to the reconciliation of Fixed Assets in the underlying accounts to the Closing Basic RAB at 31 March 2014

[Text to be provided by HAL]

11. Indexation

The following indices have been used for revaluing forecasts:

Indexation
The following indices have been used for revaluing forecasts:
Average RPI index for the year ended 31 March 2012
Average RPI index for the 9 months ended 31 December 2014
RPI index at 31 March 2014
RPI index at 31 December 2014
Increase from average 2011/12 to 31 December 2014
Increase from average 2011/12 to average 9 month period to 31 December 2014
Increase from average 9 month period to 31 December 2014 to 31 December 2014
Increase from 31 March 2014 to 31 December 2014

12. Independent Report from Deloitte LLP

Appendices

Appendix A

This section will provide a list of CAA forecasts in real prices (11/12)

Figure B.9: CAA's Q6 passenger forecasts - 4 years 9 months duration

Millions	9 mo. 2014	2015	2016	2017	2018	Total
Passengers	55	72	73	73	74	348

Source: CAA

Figure I.2: Net revenue requirement (passenger charges) in Q6 - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Net revenue requirement	1,130	1,449	1,444	1,428	1,417	6,869

Source: CAA

Figure F.5: Forecast commercial revenue in Q6 - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Commercial Revenue	413	574	591	601	611	2,790

Source: CAA

Figure G.3: Forecast revenue from ORCs and OR's in Q6 - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
ORCs	174	215	206	205	204	1,004
OR's	108	139	141	144	144	676
Total	282	354	347	349	348	1,680

Source: CAA

Figure E.5: Forecast opex in Q6 - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Opex	805	1,029	993	955	948	4,730

Source: CAA

Figure C.7: CAA's decision for capex - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Capex	439	669	646	529	534	2,816

Source: CAA

Figure H.1: CAA's licence projections for HAL's RAB in Q6

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Opening RAB	13,816	13,788	13,812	13,805	13,661	13,816
Net Capex	439	669	646	529	534	2,817
Depreciation	(467)	(645)	(653)	(672)	(676)	(3,113)
Closing RAB	13,788	13,812	13,805	13,662	13,519	13,520
Average RAB	13,802	13,800	13,808	13,733	13,590	n/a

Source: CAA

Appendix B

Rolling forward the Regulatory Asset Base

Purpose and basis of the calculation

B1 This Appendix specifies the detail of the formula that the CAA uses for tracking the regulatory asset base. The purpose of this Appendix is to describe how to calculate the regulatory asset base (RAB) for Heathrow.

B2 The equations set out below are based on the projections made by the CAA in reaching its final decision on the charge conditions for the control period 1 April 2014 to 31 December 2018.

Inflation indices

B3 Each year, each RAB is expressed in actual end year price levels. The modelling used fixed 2011/12 price levels and the figures below must be uplifted to current price terms each year

Retail Price Index ("RPI") Growth t from 2011/12 = The RPI (as defined in the Condition) as at 31 December of financial year t divided by the average of the relevant monthly RPI figures for the financial year 2011/12, which (based on the All Items index¹ and based on 13 January 1987 = 100) equals 237.3

Annual RPI Growth t = The RPI as at 31 December of financial year t divided by The RPI as at 31 December of financial year t-1

Within Year RPI Growth t = The RPI as at 31 December of financial year t divided by the average of the monthly RPI figures for the relevant number of preceding months (nine for the first Regulatory Period, 12 for all subsequent Regulatory Years)

Heathrow RAB

B4 This section describes how the Heathrow RAB will be rolled forward from one Regulatory Period or year to another.

RAB t = (Basic RAB) t + (Cumulative Profiling Adjustment)t

¹ All Items (CHAW) index, source: Office for National Statistics (ONS).
Heathrow (SP) Limited – Regulatory Accounts 9 months ended 31 December 2014

B5 Both the Basic RAB and the Cumulative Profiling Adjustment are to be separately identified. This is to allow full visibility to interested parties.

Closing (Basic RAB) t	=	Opening RAB t + (Total Actual Capex t x Within Year RPI Growth t) ² - (Proceeds from Disposals t) - (CAA's Assumed Ordinary Depreciation t x RPI Growth from 2011/12)
Opening (Basic RAB) t	=	For the first Regulatory Period (1 April to 31 December 2014, where t=1), this figure will be set according to the following formula: £ 13,815.828 million x RPI Growth from 2011/12 + Actual Capex 2013/14 x RPI Growth from 2013/14 - £ 1,292.874 million x RPI Growth from 2011/12 - (Actual proceeds from Disposals 2013/14) x RPI Growth from 2013/14 = For the remaining Regulatory Years, this figure will be set according to the following formula: Closing RAB t-1 x Annual RPI Growth t
Assumed Ordinary Depreciation t in 2011/12 prices	=	For each financial year this figure will be fixed at the following values: Regulatory Period 1 (1 April to 31 December 2014): £ 467.255 million Regulatory Year 2 (calendar year 2015): £ 644.921 million Regulatory Year 3 (calendar year 2016): £ 652.732 million Regulatory Year 4 (calendar year 2017): £ 672.132 million Regulatory Year 5 (calendar year 2018): £ 676.246 million

² Accrued capital expenditure with no adjustment for movements in working capital.
Heathrow (SP) Limited – Regulatory Accounts 9 months ended 31 December 2014

Appendix C

Service Quality

[Text to be provided by HAL]

Rebates

[Text to be provided by HAL]

Summary of SQRB performance

Category	SQR element	Target	No. Passes	No. Failures	Rebates paid £m
Passenger satisfaction (QSM)	Departure lounge seating availability	3.80			
	Cleanliness	4.00			
	Wayfinding	4.10			
	Flight information	4.30			
	Security	Publication only			
Security	Wi-Fi	Publication only			
	Central Search (interim) - less than 5 mins	95.00%			
	Central Search (interim) - less than 10 mins	99.00%			
	Transfer search (interim)	95.00%			
	Staff search	95.00%			
Campus Passenger operational	Control posts	95.00%			
	Passenger Sensitive Equipment (PSE general)	99.00%			
	Passenger Sensitive Equipment (PSE priority)	99.00%			
	Arrivals baggage carousels	99.00%			
	T5 track transit system - 1 train availability	99.00%			
Airline operational	T5 track transit system - 2 trains availability	97.00%			
	Stands	99.00%			
	Jetties	99.00%			
	Fixed electrical ground power	99.00%			
	Stand entry guidance	99.00%			
	Pre-conditioned air - T2, T3, T5	98.00%			
	Pier service stand usage - T1, T2, T3, T4	95.00%			
Airfield	Aerodrome congestion term				
	Total				
	Total at risk				
	% Total SQRB paid				
	Reconciliation to accounts				SQR wash up and provision changes.

Summary of SQRB rebates by terminal and element

Terminal	SQRB element	Failures	Rebate per failure	Total rebate
1	Flight information			
4	Flight information			
5	Flight information			
5	CSA queues			
5	Transfer queues			
Total				

[Text to be provided by HAL]

Passenger Satisfaction

[Text to be provided by HAL]

Security

[Text to be provided by HAL]

Passenger Operational

[Text to be provided by HAL]

Airline Operational

[Text to be provided by HAL]

Campus

[Text to be provided by HAL]

Airfield

[Text to be provided by HAL]

SQR Bonus

[Text to be provided by HAL]

SQR bonuses	No of months in which bonus achieved	Bonus (£m)
Departure lounge seating availability		
Cleanliness		
Wayfinding		
Flight information		
Total		

Appendix D

Price Control

Maximum Allowable Yield

[Text to be provided by HAL]

The table below shows the maximum allowable yield Heathrow is allowed to charge:

	%	£
Opening yield as defined by the CAA		
Forecast 12 months RPI movement to December 2014		
Value of X		
Forecast capital trigger factor		
Bonus factor		
Cumulative development capital expenditure adjustment		
Business rate revaluation factor		
2012/13 correction 'K' factor under recovery		
Forecast 2014 maximum allowable yield		

[Text to be provided by HAL]

Value of X

[Text to be provided by HAL]

Bonus Term

[Text to be provided by HAL]

Trigger Payments

[Text to be provided by HAL]

Development capex

[Text to be provided by HAL]

Security cost pass through factor (S Factor)

[Text to be provided by HAL]

Business Rates factor (BR Factor)

[Text to be provided by HAL]

K factor from 2012/13 under recovery

[Text to be provided by HAL]

K factor analysis	
Airport charges revenue 2012/13	A
Passengers 2012/13	B
Actual yield	
Forecast to recover 2012/13	C
Interest rate	D
Forecast passengers 2014	E
Business Rates factor (BR Factor)	
K factor from 2012/13 under recovery = $((A-(B*C))E*((1+D)^2)$	

*^2 relates to two year compound interest rate.

[Text to be provided by HAL]

Confidential appendix

This appendix will provide an annual confidential update for the CAA of any additional security costs as a result of changes in the regulatory environment, in particular where these costs have not yet reached the security factor threshold.