



Heathrow (SP) Limited  
Regulatory Accounts  
Year ended 31 December 2015

**Heathrow**  
*Making every journey better*

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## Introduction

Heathrow (SP) Limited (the 'Company') owns Heathrow Airport Limited ('Heathrow'), Heathrow Express Operating Company Limited ('HEX'), Heathrow Funding Limited and Heathrow (AH) Limited, which together comprise the regulated entity for the purposes of the regulatory accounts. On 1 September 2015, the beneficial ownership of the Heathrow Express and Connect business was transferred from Heathrow Airport Limited to Heathrow Express Operating Company Limited which was operated since that date as a Train Operating Company on an arm's length basis. This has resulted in rail income from this date being attributable to HEX and not Heathrow Airport Limited.

These regulatory accounts include the following schedules which track Heathrow's performance during 2015 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 year ended 31 December 2015, the regulatory accounts have been drawn up in accordance with the requirements of condition E1 of the 'Economic regulation at Heathrow from April 2014: notice granting the licence' and the CAA's 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 8 and 10 respectively.

Reconciliations to statutory financial reporting are in section 9.

## Objectives of the Regulatory Accounts

The purpose of the regulatory accounts is to make available, in a form and to a standard 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 Heathrow (SP) Limited and the financial performance of provision of airport operation services and associated services provided in connection with Heathrow 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.

## 2015 Performance Overview

2015 marked excellent progress towards our vision of giving passengers the best airport service in the world. Passengers ranked the quality of service at Heathrow the highest of Europe's hub airports and Heathrow was named the Best Airport in Western Europe by Skytrax. We delivered record passenger satisfaction and operational reliability improved even with our busiest days ever. Overall in 2015 we welcomed a record 75.0 million passengers and on five separate days over a quarter of a million passengers used Heathrow.

Passengers had even greater choice in 2015, with new airlines, new destinations and more seats available per flight. We welcomed Vietnam Airlines moving its London services to Ho Chi Minh and Hanoi from Gatwick to benefit from the transfer traffic and cargo at Heathrow. British Airways started a new service to Kuala Lumpur and in March 2016, Garuda Airlines will also move its London flights from Gatwick, bringing Jakarta as a new destination from Heathrow.

Our focus on transforming customer service has covered all aspects of the airport. Passengers are enjoying faster journeys through the airport, with reduced queue times due to more security lanes and parallel loading, improved body scanners and new biometric passport gates in immigration. We have also been making our operations more efficient and robust. We have introduced technology and procedures to improve our resilience, including enhanced Instrument Landing Systems which assist in low visibility and time-based separation of arriving aircraft to facilitate more landings on windy days. These measures allow a more punctual and complete schedule to be operated, disrupting fewer passenger journeys.

Passengers now have unrivalled choice from our award winning retail offering with expanded World Duty Free outlets and new stores including Chanel, Louis Vuitton and Hermes. We also opened a new business car park and independent lounges in Terminals 4 and 5.

We were awarded the Eco-Innovation Award by ACI Europe, commending Heathrow for the progress made in reducing emissions from the airport. We are the only airport in the world to sign the Paris Pledge for Action on climate change. We are leading the way in the airport community by cutting emissions from our own fleet and installing electric vehicle infrastructure. We are also collaborating with airlines, air traffic control and other partners to be quieter, sooner. In 2015, over 99% of flights were operated by the quietest category of aircraft.

Demand to use Heathrow continues to substantially outstrip the capacity available with two runways and in July, the Airports Commission gave a unanimous and unambiguous recommendation for Heathrow's proposal to expand with a third runway to the north west of the existing airport. The Commission confirmed that expanding Heathrow would have the greatest economic benefit for the UK and can be delivered while reducing noise for local communities and within EU air quality limits.

In December, the UK Government agreed that there is a need for more runway capacity in the south east of England, validating the findings of the Airports Commission. The Government is now undertaking further analysis on environmental impacts, which is expected to conclude during the summer of 2016.



The economic benefit to the UK of expanding Heathrow is up to £211 billion, creating 180,000 jobs nationally, 40,000 new jobs locally and doubling the number of apprenticeships to 10,000. Heathrow has huge support both locally and nationally from business, trade unions, politicians, airlines and the UK construction industry and is ready to deliver. We have full confidence that expansion can be delivered within tough environmental limits and we will work with the Government to deliver the hub capacity that Britain needs.

Passenger numbers in 2015 were 4% above the forecast based on the CAA decision. In financial terms, 2015 has seen a good performance. Higher airport charges income was driven primarily by the higher passenger numbers. Other income was 4% above the forecast based on the CAA decision, including a solid retail performance and good growth in car parking income. The favourable income variance was reduced by operating costs that were 4% above the forecast based on the CAA decision including expansion related costs not included in the forecast based on the CAA decision.

Regulatory operating profit at £881m was £116m higher than the forecast based on the CAA decision. This variance was largely due to higher passenger numbers.

Heathrow's calculation of the weighted average regulatory asset base (RAB) for 2015 was £14,921m, £244m lower than the forecast based on the CAA decision due to lower capital expenditure in both 2014 and 2015. Airport charges for 2017 will be adjusted downwards, through the Development/Core Capital adjustment mechanism, to reflect these lower levels of capital expenditure.

The actual return on RAB in 2015 of 5.9% compared to 5.1% in the forecast based on the CAA decision was primarily due to the higher regulatory operating profit.

# 1. Performance Summary for the year ended 31 December 2015

£million (unless otherwise stated)	Section	Actual	CAA Forecast*	Variance	%
<b>Total Passengers (thousands)</b>	2	<b>74,999</b>	<b>72,000</b>	<b>2,999</b>	<b>4%</b>
<b>Revenue</b>	3				
Airport Charges		1,699	1,579	120	8%
Other Revenue		1,046	1,010	36	4%
<b>Total Revenue</b>		<b>2,745</b>	<b>2,589</b>	<b>156</b>	<b>6%</b>
<b>Expenditure</b>	4				
Operating costs		(1,161)	(1,121)	(40)	(4%)
Assumed ordinary depreciation		(703)	(703)	0	0%
<b>Total Expenditure</b>		<b>(1,864)</b>	<b>(1,824)</b>	<b>(40)</b>	<b>(2%)</b>
<b>Regulatory operating profit (before exceptional operating costs)</b>		<b>881</b>	<b>765</b>	<b>116</b>	<b>15%</b>
<b>Exceptional operating costs</b>	5	0	0	0	-
<b>Regulatory operating profit</b>		<b>881</b>	<b>765</b>	<b>116</b>	<b>15%</b>
<b>Capital expenditure</b>	6	<b>586</b>	<b>729</b>	<b>(143)</b>	<b>(20%)</b>
<b>Opening RAB</b>	7	<b>14,860</b>	<b>14,959</b>	<b>(99)</b>	<b>(1%)</b>
<b>Closing RAB</b>		<b>14,921</b>	<b>15,165</b>	<b>(244)</b>	<b>(2%)</b>
<b>Average RAB</b>		<b>14,891</b>	<b>15,062</b>	<b>(172)</b>	<b>(1%)</b>
<b>Return on average RAB</b>		<b>5.92%</b>	<b>5.08%</b>	<b>0.84%</b>	

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

The regulatory accounts of Heathrow (SP) Limited were approved by the Board of Directors on 23 March 2016 and signed on behalf of the Board by:

Michael Uzielli – Director

Emma Gilthorpe – Director



## 2. Passenger Summary

### Heathrow passengers for the year ended 31 December 2015

Thousands	Actual	CAA Forecast*	Variance	(%)
Departing passengers	36,986			
Arriving passengers	38,013			
<b>Total passengers</b>	<b>74,999</b>	<b>72,000</b>	<b>2,999</b>	<b>4%</b>

\*Passenger totals are unrounded and defined in the basis of preparation in section 8

Total passenger numbers were 75.0m for the year ended 31 December 2015 which was 3.0m higher than the CAA forecast. Continuing significant excess demand for passengers flying through Heathrow has increased both load factors and average seats per aircraft during 2015. The forecast based on the CAA decision includes a reduction of 0.8m passengers for shock events which did not materialise during 2015.

### Heathrow's passengers by geographic segment for the year ended 31 December 2015 vs. the year ended 31 December 2014

Thousands	Actual	Prior year*	Variance	(%)
UK	5,144	5,285	(141)	(3%)
Europe	31,173	29,990	1,183	4%
North America	17,281	16,990	291	2%
Asia Pacific	10,476	10,443	33	0%
Middle East	6,417	6,066	351	6%
Africa	3,299	3,527	(228)	(6%)
Latin America	1,209	1,116	93	8%
<b>Total passengers</b>	<b>74,999</b>	<b>73,417</b>	<b>1,582</b>	<b>2%</b>

Passenger totals are unrounded and defined in the basis of preparation in section 8

\*12 months January to December 2014. 2014 Regulatory accounts show 9 month passenger numbers.

Heathrow's passenger numbers for the year ended December 2015 rose 2% to 75.0 million (2014: 73.4 million), with an average load factor of 76.5% (2014: 76.6%).

Intercontinental passengers were up 1.3%, with more flights operated and more seats per flight. A380 long haul aircraft now account for 25 departures per day by eight airlines. Passenger numbers on routes serving the Middle East grew 5.8% reflecting more flights and larger aircraft, which was driven primarily from Qatar Airways and Etihad. Increases to North American frequencies led to 1.7% more traffic. Latin American passenger numbers grew 8.3% mainly reflecting Avianca's new route to Colombia. The rise in Asia Pacific passenger numbers of 0.3% included growth on routes serving China and Hong Kong as well as the new services to Vietnam.

European passengers increased by 3.9%, accounting for a significant proportion of growth in 2015. British Airways substantially increased its seat capacity and successfully attracted additional passengers. Domestic passengers reduced following the withdrawal of Virgin Little Red during 2015. We have worked on a number of joint initiatives with our airline partners during the year to stimulate passenger demand. Domestic traffic is expected to recover, supported by these initiatives during 2016.

Over a quarter of UK exports by value pass through Heathrow. Cargo volume passing through Heathrow in 2015 was 1.5 million metric tonnes, in line with last year, with growth to Asia, particularly Hong Kong and China as well as the new capacity to Vietnam.

## 3. Revenue

### Summary

For the year ended December 2015, revenue at £2,745m was 6% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	(%)
<b>Airport charges</b>	<b>1,699</b>	<b>1,579</b>	<b>120</b>	<b>8%</b>
Retail (including car parking)	529	510	19	4%
Property	112	116	(4)	(3%)
<b>Commercial Revenue</b>	<b>641</b>	<b>626</b>	<b>15</b>	<b>2%</b>
<b>Other regulated charges</b>	<b>240</b>	<b>233</b>	<b>7</b>	<b>3%</b>
<b>Rail</b>	<b>131</b>	<b>125</b>	<b>6</b>	<b>5%</b>
<b>Other</b>	<b>34</b>	<b>26</b>	<b>8</b>	<b>31%</b>
<b>Total revenue</b>	<b>2,745</b>	<b>2,589</b>	<b>156</b>	<b>6%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

### 3.1 Airport charges

For the year ended December 2015, airport charges at £1,699m were 8% favourable to the forecast based on the CAA decision.

£million (unless otherwise stated)	Actual	CAA Forecast*	Variance	(%)
<b>Passenger Flights</b>				
Departing passenger charges	1,228			
Landing charges	401			
Parking charges	63			
<b>Total Passenger Flights</b>	<b>1,692</b>			
Total Passengers (thousands)	74,999			
Actual yield per passenger	£22.560			
<b>Total Non-Passenger Flights</b>	<b>7</b>			
<b>Total Airport Charges</b>	<b>1,699</b>	<b>1,579</b>	<b>120</b>	<b>8%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

The £120m favourable variance is primarily a result of the increase in passenger numbers (£68m), differences in RPI (£39m) and the 2015 K factor resulting from an under-recovery in 2013/14 (£11m).

Details of the maximum allowable yield and 'K' factor for 2015 can be found in Appendix A.



## 3.2 Retail Revenue

For the year ended December 2015, gross retail income at £546m was 1% favourable to the forecast based on the CAA decision. Net retail income ('NRI') is favourable by 4% with NRI per passenger in line with forecast.

£million (unless otherwise stated)	Actual	CAA Forecast*	Variance	%
- Duty and tax-free	128	155	(27)	(17%)
- Airside specialist shops	100	99	1	1%
- Bureau de change	53	50	3	6%
- Catering	45	41	4	10%
- Other retail revenue	113	93	20	22%
<b>Retail</b>	<b>439</b>	<b>438</b>	<b>1</b>	<b>0%</b>
<b>Car Parking</b>	<b>107</b>	<b>100</b>	<b>7</b>	<b>7%</b>
<b>Gross retail income</b>	<b>546</b>	<b>538</b>	<b>8</b>	<b>1%</b>
Retail expenditure	(17)	(28)	11	39%
<b>Net retail income</b>	<b>529</b>	<b>510</b>	<b>19</b>	<b>4%</b>
<b>Terminal Passengers (k)</b>	<b>74,999</b>	<b>72,000</b>	<b>2,999</b>	<b>4%</b>
<b>Net Retail income per passenger</b>	<b>£7.05</b>	<b>£7.08</b>	<b>(£0.03)</b>	<b>(0%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

Duty and tax-free was (17%) adverse as the CAA upwards adjustment to commercial income was applied entirely to duty and tax-free income. The adverse variance was offset by the favourable variances in airside specialist shops, bureau, catering and other retail revenue income lines. Underlying performance was broadly in line with the forecast.

Car parking revenue was 7% favourable due to a short stay parking price change that was implemented earlier than expected and improvement in participation in car parking.

Retail expenditure was 39% favourable due to lower car park management costs.

## 3.3 Property

Property income was (3%) adverse to the CAA forecast driven by the CAA upwards adjustment applied to basic rents which has not been achieved.

### 3.4 Other Regulated Charges Revenue

For the year ended December 2015, other regulated charges (ORC) income at £240m was 3% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Baggage & Check-in	131	126	5	4%
Fixed electrical ground power	11	11	0	0%
Utilities	53	55	(2)	(4%)
PRM	21	19	2	11%
Staff car parking & security documentation	19	17	2	12%
Other income	5	5	0	0%
<b>Total</b>	<b>240</b>	<b>233</b>	<b>7</b>	<b>3%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

#### Baggage & Check-In

Baggage & Check-in income was 4% favourable as a result of the agreed recovery of additional resilience costs, gain share on savings made on the baggage contract partially offset by over-recovery of £1.5m from 2014 Regulatory year.

#### Utilities

Utilities (incorporating electricity, heating, water & sewerage, gas, waste & recycling and pre-conditioned air) income was (4%) adverse. The majority of the adverse variance was due to electricity driven by lower electricity prices and reduced consumption. Lower consumption of pre-conditioned air (PCA) also reduced revenue.

#### Passengers with Reduced Mobility (PRM)

PRM income was 11% favourable due to the £1m under recovery from the 2014 Regulatory year which was recovered via 2015 pricing and gain share on contract savings.

#### Staff Car Parking & Security Documentation

Income from staff car parking & security documentation was 12% favourable. Staff car parking income was driven by a higher number of car park passes being issued and security documentation due primarily to charges for un-surrendered passes.

### 3.5 Rail

Rail income was 5% favourable to the forecast based on the CAA decision. This variance is split between Heathrow Express due to an increase in the level of compensation received for disruption from Crossrail works and Piccadilly Line extension due to an increase in passenger growth.

### 3.6 Other

Other income was 31% favourable driven by higher VIP income.



## 4. Operating Costs

### Summary

For the year ended December 2015, net operating costs at £1,161m were (4%) adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Staff	(423)	(395)	(28)	(7%)
Maintenance & Equipment	(184)	(187)	3	2%
Rent & Rates	(141)	(153)	12	8%
Utilities	(89)	(116)	27	23%
Other expenditure	(327)	(270)	(57)	(21%)
<b>Operating costs before adjustments</b>	<b>(1,164)</b>	<b>(1,121)</b>	<b>(43)</b>	<b>(4%)</b>
Add back service quality rebates	3	0	3	
Transfer of exceptional costs included in CAA forecast	0	0	0	
<b>Total operating costs</b>	<b>(1,161)</b>	<b>(1,121)</b>	<b>(40)</b>	<b>(4%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

† Service quality rebates are not an allowable cost for inclusion in operating expenditure

### 4.1 Staff

For the year ended December 2015, staff costs at £423m were (7%) adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Security	(152)	(141)	(11)	(8%)
Other operational	(99)	(106)	7	7%
Non operational	(93)	(82)	(11)	(13%)
Pension	(79)	(66)	(13)	(20%)
<b>Total</b>	<b>(423)</b>	<b>(395)</b>	<b>(28)</b>	<b>(7%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

Security costs were higher primarily due to the growth in passenger numbers. In addition, higher pension and additional re-structuring expenditure were partially offset by savings due to unfilled roles across the business.

## 4.2 Maintenance and Equipment

For the year ended December 2015, maintenance & equipment costs at £184m were 2% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
IT & computer services	(41)	(43)	2	5%
Maintenance	(132)	(130)	(2)	(2%)
Stores & equipment	(11)	(14)	3	21%
<b>Total</b>	<b>(184)</b>	<b>(187)</b>	<b>3</b>	<b>2%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

Additional maintenance spend associated with capital projects (including Terminal 3 Integrated Baggage (T3IB), Tunnels and the Bus Station roof) and additional resilience costs in operations were offset by savings in other parts of the business.

## 4.3 Rent and Rates

For the year ended December 2015, rent and rates at £141m were 8% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Rent	(13)	(16)	3	19%
Rates	(128)	(137)	9	7%
<b>Total</b>	<b>(141)</b>	<b>(153)</b>	<b>12</b>	<b>8%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

Rent costs were reduced as the office premises were vacated earlier than expected. Rates costs were reduced as a result of a lower than forecast rateable value of airport assets.

## 4.4 Utilities

For the year ended December 2015, Utilities at £89m were 23% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Electricity	(39)	(58)	19	33%
Water & sewerage	(3)	(4)	1	25%
Gas	(7)	(12)	5	42%
Waste & recycling	(5)	(6)	1	17%
Other	(35)	(36)	1	3%
<b>Total</b>	<b>(89)</b>	<b>(116)</b>	<b>27</b>	<b>23%</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10



Electricity costs are favourable due to reduced consumption supported by the early delivery of Energy Demand Management projects, lower electricity unit prices and forecast Carbon Reduction Commitment that is no longer payable. Favourable gas costs were driven by lower consumption in Terminal 2 than originally assumed and seasonably milder weather than normal.

## 4.5 Other

For the year ended December 2015, other costs at £327m were (21%) adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Police	(30)	(31)	1	3%
Rail	(61)	(61)	0	0%
Cleaning	(28)	(34)	6	18%
Service quality rebate	(3)	0	(3)	-
Intra group	(25)	(3)	(22)	-
PRM costs	(18)	(18)	0	0%
Other (including Air navigation service)	(162)	(123)	(39)	(32%)
<b>Total other costs</b>	<b>(327)</b>	<b>(270)</b>	<b>(57)</b>	<b>(21%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

### Cleaning

Cleaning costs were 18% favourable to the forecast based on the CAA decision driven by contract re-negotiations.

### Service Quality Rebate

Rebates totalling £3.4m were paid for the year ended December 2015, primarily driven by levels of passenger satisfaction with way-finding and flight information displays across Terminals 1, 4 and 5. Further details can be found in Appendix D.

### Intra group

The adverse variance was driven by costs disallowed by the CAA and therefore not included within the forecast.

### Other

There has been increased spend in the year ended December 2015 on airport operational resilience and on active engagement in the debate on runway capacity in south east England which were not included in the forecast based on the CAA decision.

## 4.6 Assumed Ordinary Depreciation

The depreciation allowance was determined by the CAA in the Licence covering the economic regulation at Heathrow from April 2014. This has been indexed to current year values in accordance with the methodology specified in appendix B of this document. The depreciation allowance for the year ended December 2015 in figure H.1, appendix H of the 2014 licence of £645m (2011/12 prices) has been increased by 8.9% (refer to section 10) to £703m in 2015 prices.

## 5. Exceptional Operating Costs

£million	Actual	CAA Forecast*	Variance	%
Re-structuring	0			
Transfer of exceptional costs included in CAA forecast	0			
<b>Exceptional pre-tax charge</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

There were no exceptional costs in the year ended December 2015.

## 6. Capital Expenditure

### Summary

£million	Actual	CAA Forecast*	Variance	%
Capital expenditure incurred in the year ended December 2015	586	729	(143)	(20%)
<b>Total</b>	<b>586</b>	<b>729</b>	<b>(143)</b>	<b>(20%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

The variance between the forecast and actual spend is partly due to the continued impact of the Development change programme implemented at the start of Q6. The professional collaboration approach across the supply chain is now far better established. There has also been more work undertaken than originally anticipated in advance of Investment Decision, to fully develop compelling business cases which maximise benefits. This has deferred the start of construction in some areas.



## 6.1 Analysis of actual expenditure

Capital Programme	Detail	Total Capex (£million)
<b>Airport resilience</b>		<b>97</b>
B111	Enabling New Generation of Wide Body Aircraft - Airfield	45
B206	Airport Resilience Programme Rollover	11
B112	Airfield Efficiency and Resilience	10
B035	Aircraft De-icing Infrastructure & Process	8
B015	Operational Systems Critical Asset Replacement	7
B117	T4 Infrastructure Improvement	4
	Other Airport resilience projects	12
<b>Passenger experience</b>		<b>139</b>
B018	T5 Security Capacity	27
B116	T3 Security Capacity	24
B037	Airline Moves	13
B041	Commercial BAU fund	9
B024	B024 Commercial Advertising and Sponsorship	8
B020	B020 Commercial IT and telecoms	6
B204	B204 Passenger Experience Programme Rollover	5
B210	B210 - T4 Additional Security Lanes	5
B045	B045 Enhanced Terminal Facilities for Passengers	5
B427	B427 Security Scanner & ETD Regulation Changes	5
B030	B030 T1 Closure	4
B316	T3 Refurbishment & Enhancement	4
B429	B429 UKBF E Gate Installation	4
B081	B081 T4 IDL Masterplan Phase 4 and enhancements	4
B026	B026 Security Fixed Post Modernisation	4
	Other Passenger experience projects	12
<b>Baggage</b>		<b>140</b>
B216	B216 HBS & Asset Replacement	64
B051	B051 T3IB Q5 Rollover	54
	Other Baggage projects	22
<b>Asset Management</b>		<b>165</b>
B131	B131 CTA & Cargo Tunnels	59
B101	B101 Engineering Asset Replacement	38
B103	B103 IT Asset Replacement	26
B066	B066 Energy and Utilities Management – Supply	18
B102	B102 Rail Asset Replacement	8
	Other Asset Management projects	16
<b>Q6 Realisation</b>		<b>17</b>
B164	B164 Back Office IT	12
B193	Programme	4
	Other Q6 Realisation projects	1
<b>Terminal 2</b>		<b>28</b>
B150	B150 Terminal 2 Phase 1 Completion	28
	<b>Total</b>	<b>586</b>

There has been continued investment on the airfield where taxiways have been upgraded to facilitate new Code F (A380) routings to both the north and south of the airfield. These new routes have reduced taxi times and emissions.

Heathrow has also invested in improvements in security processing with a new temporary Connections Security facility opening in Terminal 3, to enable the demolition and upgrade of the existing facility. Additional security capacity was also constructed in Terminal 4 and Terminal 5. T3IB was brought into operational use during the year in a phased manner, with the final airlines due to move in during 2016. Furthermore work continued to enhance and upgrade the hold baggage screening equipment.

Work continued to replace existing assets with key elements being the on-going work to the airside and landside road tunnels into the central terminal area; alongside replacing the heating infrastructure for Terminal 3 and surrounding areas.

## 6.2 Development and core capital expenditure

£million	Actual	CAA Forecast*	Variance	%
Development capital expenditure which transitioned to core capital expenditure (including the spend incurred during the development stages) for the year ended December 2015	590	729	(139)	(19%)
<b>Total</b>	<b>590</b>	<b>729</b>	<b>(139)</b>	<b>(19%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

The average cost of capital on £139m variance between the forecast capital expenditure and the actual amount that transitioned to core will be returned to the airlines through airport charges in 2017. Any subsequent capital expenditure that transitions to core would be recovered in later years through airport charges.

## 6.3 Capital Triggers

Business case	Trigger milestones	Trigger date	Actual completion date	Monthly rebate (£thousands)	Rebate paid (£thousands)

\*Monthly rebate has been uplifted from 11/12 prices based upon indexation included in section 10

No triggers rebates occurred in 2015. The main activity this year has been agreeing new triggers for subsequent years.

## 6.4 Independent Funds Surveyor

The Independent Fund Surveyor (IFS) has been engaged since April 2014 and is now monitoring 17 key projects, nine of which are in construction. Key IFS recommendations are being addressed on two levels, by respective project teams and at portfolio level. Key portfolio issues are being managed through the IFS working group (Capital Portfolio Board sub-group) with a range of airline community stakeholders to progressively work through common IFS themes/recommendations to drive continuous improvement. During 2015 this group reviewed areas including schedule, cost estimating and risk.



## 7. Regulatory Asset Base (RAB)

### Opening Regulatory Asset Base at 1 April 2014

£million (average 11/12 & 13/14 prices)		Increase in RPI to 31 March 2014	Adjusted RAB at 1 April 2014
<b>Forecast RAB at 31 March 2014 in Annex H, Economic regulation at Heathrow from April 2014</b>	13,816	7.36%	14,832
Actual capital expenditure 2013/14	1,360	1.22%	1,376
Assumed capital expenditure 2013/14	(1,293)	7.36%	(1,388)
Actual proceeds from disposal 2013/14	(4)	1.22%	(4)
<b>Adjusted opening RAB at 1 April 2014</b>			<b>14,816</b>

### Closing Regulatory Asset Base at 31 December 2015

£million	Actual	CAA Forecast*	Variance	%
<b>Opening RAB at 1 January 2015</b>	<b>14,860</b>	<b>14,959</b>	<b>(99)</b>	<b>(1%)</b>
Additions in year	586	729	(143)	(20%)
Proceeds from disposals	0	0	0	0%
Assumed ordinary depreciation	(703)	(703)	(0)	0%
Indexation to 31 December 2015	178	180	(2)	(1%)
<b>Closing RAB at 31 December 2015</b>	<b>14,921</b>	<b>15,165</b>	<b>(244)</b>	<b>(2%)</b>

\*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 10

## 8. Basis of Preparation

### Summary

The Company is required to prepare regulatory accounts by condition E1 of the 'Economic regulation at Heathrow from April 2014: notice granting the licence' (the "Q6 Decision"), issued pursuant to 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 sections 1 to 10 of this report and be prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

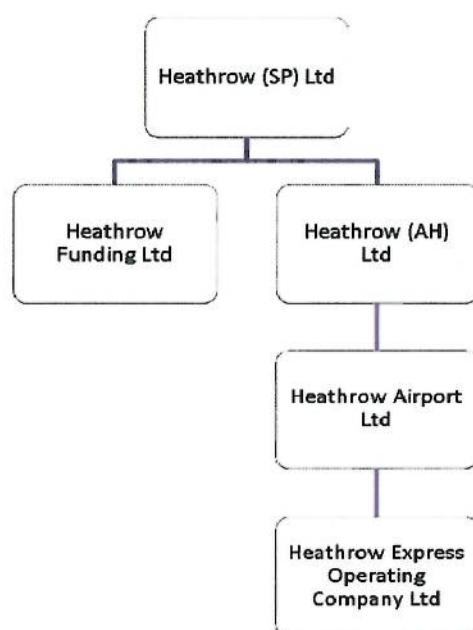
This sets out actual performance for the year under review compared with the forecasts underlying the determination of the price cap for the Company. These forecasts are set out in the CAA's Q6 Decision document, following a quinquennial review. The regulatory accounts include notes as agreed with the CAA which describe the derivation of key regulatory results and, where relevant, adjustments to the statutory and management accounts of the Company.

The Directors of the Company are responsible for preparing the annual regulatory accounts in accordance with the CAA 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 of Heathrow (SP) Limited for the year ended 31 December 2015. These are referred to in these regulatory accounts as 'the underlying accounts'. The underlying accounts are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU on a consolidated basis.





## Passengers

Total passenger numbers represent those passengers on all flights except cargo who physically pass through the airport's facilities. This includes transit passengers numbering 0.03m in 2015 regulatory period. It also includes passenger numbers for the following flight categories, which are included in the table in section 3 showing the breakdown of airport charges – non-scheduled passenger, air ambulance, government charter (troops and cargo), air taxi, general aviation, diplomatic and military. Terminal passenger numbers exclude those passengers in the flight categories above.

## 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 section 7. The CAA further determined in Annex K how the value of the RAB should be rolled forward annually thereafter and this is shown in appendix C. 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 2011/12 prices (as in the Q6 Decision) to average 2015 prices, in accordance with CAA guidance.

The depreciation allowance has been set for each of the regulatory periods. This is referred to in Annex H of the Q6 Decision and in this report as ‘Assumed Ordinary Depreciation’ as shown in section 4. 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 Group. 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;
- other regulated charges income, principally utilities and check in/baggage revenue are re-categorised from other revenue lines into one category;
- pension costs reflect the Company's cash contribution;
- service quality rebates are excluded from operating costs;
- gains or losses on asset disposals are excluded from operating costs.
- an exceptional item resulting from changes to the defined benefit pension scheme is excluded.

## Indexation

The forecasts have been derived by indexing forward the forecasts in the Q6 decision to 2015 prices in accordance with the CAA Q6 Decision. The appropriate RPI indices are shown in section 10. Profit and loss items have been indexed forward to 2015 using the average RPI for 2015, and the RAB using the RPI at 31 December 2015.

## Forecast

The forecast contained in the regulatory accounts reflects:

- the total ORC, commercial and other revenue allowances set by the CAA, uplifted by RPI. The disaggregated revenue for these categories has been agreed with the CAA; and
- the total operating expenditure allowance set by the CAA, uplifted by RPI. The disaggregated operating expenditure has been agreed with the CAA.

## 9. Reconciliations

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

### Reconciliation of Revenue

Reconciliation to the underlying accounts	£million
<b>Regulatory revenue</b>	<b>2,745</b>
Add back consolidation centre costs netted off against revenue	3
Add back retail costs netted off against revenue	17
<b>Revenue per the underlying accounts</b>	<b>2,765</b>

### Reconciliation of Operating Costs

Reconciliation to the underlying accounts	£million
<b>Regulatory expenditure</b>	<b>(1,864)</b>
Add back statutory depreciation	(682)
Remove assumed ordinary depreciation	703
Profit on disposals of tangible fixed assets	0
Add back Service Quality Rebate	(3)
Add back retail costs netted off against revenue	(17)
Add back consolidation centre costs netted off against revenue	(3)
Remove pension cash contribution adjustment	25
<b>Operating costs per the underlying accounts excluding exceptional operating costs</b>	<b>(1,842)</b>
Add back exceptional items excluded in the regulatory accounts*	236
<b>Expenditure per the underlying accounts</b>	<b>(1,606)</b>

\*During the period, the company agreed changes to the HAH Group's defined benefit pension scheme effective from 1 Oct 2015. The changes include the introduction of an annual cap of 2% on future increases to pensionable pay for active members which result in a one-off reduction of £236 million in the scheme's liabilities, as mentioned under IAS 19, and is classified as an exceptional item in the income statement.

### Reconciliation of statutory non-current assets in the underlying accounts to the closing RAB at 31 December 2015

		£million
<b>Closing RAB at 31 December 2014</b>		<b>14,921</b>
Difference between net fixed assets and RAB at 31 March 2014	(a)	1,339
<b>Adjusted closing RAB</b>		<b>13,582</b>
Interest capitalised disallowed	(b)	63
Difference between net book value of disposals and proceeds	(c)	(1)
Revaluation in the underlying accounts	(d)	165
Indexation of RAB	(e)	(336)
Difference between depreciation in the underlying accounts and Assumed Ordinary Depreciation	(f)	64
<b>Subtotal of cumulative Q6 variance</b>		<b>(45)</b>
<b>Net fixed assets per the underlying accounts at 31 December 2015</b>		<b>13,537</b>



## Notes to the reconciliation of the closing RAB at 31 December 2015 to the fixed assets in the underlying accounts

These reconciling items are explained as follows:

### a) Difference between net fixed assets and RAB at 31 March 2014

Cumulative borrowing costs capitalised from 1 April 1995 to 31 March 2014	(1,400)
Payments for land purchase obligations	44
Difference between the value of asset revaluations in the statutory accounts and the indexation uplifts provided in the Regulatory Accounts to 31 March 2014	3,417
Difference between depreciation in the underlying accounts and assumed ordinary depreciation	(197)
CAA disallowance for Q6 (T3IB)	(32)
A reduction in respect of a pensions holiday in Q4	(93)
Intercompany transfers primarily relating to the transfer of the partly constructed Personal Rapid Transport system from BAA Enterprises which was excluded from the RAB in Q5	(21)
An asset valuation uplift on transition to IFRS accounting standards	(360)
A reduction in respect of other valuation differences	(19)
<b>Total</b>	<b>1,339</b>

- b) Borrowing costs amounting to £63m were capitalised cumulatively in Q6 to date. The roll forward calculation for the RAB specified in the CAA Licence excludes capitalised borrowing costs.
- c) Statutory non-current assets are derived after deducting the net book value of assets disposed of during the year. The RAB value specified in the CAA Licence is derived by deducting the proceeds of asset disposals.
- d) Investment properties and land held for development are subject to annual revaluation in the underlying accounts as well as impairment reviews. Remaining assets are held at depreciated historic cost.
- e) The RAB is revalued annually by reference to RPI as specified in the CAA Licence.
- f) This reflects the difference between the amount charged as depreciation in the underlying accounts and the Assumed Ordinary Depreciation allowed in the CAA Licence.

## 10. Indexation

The following indices have been used for revaluing forecasts:

Indexation	
Average RPI index for the year ended 31 March 2012	237.3
Average RPI index for the year ended 31 December 2015	258.5
RPI index at 31 December 2014	257.5
RPI index at 31 December 2015	260.6
Increase from average 2011/12 to average 2015	8.93%
Increase from average 2015 to 31 December 2015	0.80%
Increase from 31 December 2014 to 31 December 2015	1.20%



## **Independent auditors' report to the Civil Aviation Authority (the "Regulator") and the Directors of Heathrow Airport Limited and Heathrow (SP) Limited (together the "Companies")**

We have audited the financial information included within the Regulatory Accounts of Heathrow (SP) Limited for the year ended 31 December 2015 on pages 6 to 23, comprising of statements 1 to 10 (the "Regulatory Accounts").

These Regulatory Accounts have been prepared in accordance with the basis of preparation and accounting policies set out within the Regulatory Accounts.

This report is made, on terms that have been agreed, solely to the Companies and the Regulator in order to meet the requirements of Condition E1 of the Regulatory Licence granted to Heathrow Airport Limited under section 15 of the Civil Aviation Act 2012 ("the Regulatory Licence").

Our audit work has been undertaken so that we might state to the Companies and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist Heathrow Airport Limited to meet its obligation under Condition E1 to procure such a report and (b) to facilitate the carrying out by the Regulator its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Companies and the Regulator, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Regulator, the directors and auditors**

The directors are responsible for the preparation of the Regulatory Accounts and for their fair presentation in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' below, and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the Regulatory Accounts**

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Regulatory Accounts. In addition, we read all the financial and non-financial information presented with the regulatory accounts to identify material inconsistencies with the audited Regulatory Accounts. If we become aware of any apparent misstatements or inconsistencies, we consider the implications for our report.

We have not assessed whether the accounting policies are appropriate to the circumstances of Heathrow (SP) Limited where these are laid down by Condition E1. Where Condition E1 does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of Heathrow (SP) Limited. Furthermore, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the

information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK & Ireland).

### **Opinion on Regulatory Accounts**

In our opinion, the Regulatory Accounts for the year ended 31 December 2015:

- have been properly prepared in accordance with Condition E1 and the Regulatory Accounting Guidelines; and
- on that basis, fairly present the financial performance of Heathrow (SP) Limited.

### **Emphasis of matter - Basis of preparation**

Without modifying our opinion on the Regulatory Accounts, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Condition E1 of the Regulatory Licence and the Regulatory Accounting Guidelines.

The Regulatory Accounts are separate from the statutory financial statements of Heathrow (SP) Limited and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). Financial information other than that prepared on the basis of generally accepted financial reporting standards does not necessarily represent a true and fair view of the financial performance of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006. Reconciliations between the Regulatory Accounts and the statutory financial statements, which have been prepared under International Financial Reporting Standards ("IFRS") are included in Statement 9 within the Regulatory Accounts.

### **Opinion on other matters prescribed by Condition E**

Under the terms of our contract, we have assumed responsibility to provide the following additional opinions in relation to the accounting records. In our opinion:

- adequate accounting records have been kept by the Companies as required by Condition E; and
- the Regulatory Accounts are in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts.

### **Other matters**

- The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly, we make no such assessment.
- Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Companies for the year ended 31 December 2015 on which we report, which are prepared for a different purpose. Our audit reports in relation to the statutory financial statements of the Companies (our 'statutory audits') were made solely to the members of the Companies, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the members of the Companies those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any



other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
23 March 2016

# Appendices

## Appendix A

### Maximum Allowable Yield

The table below shows the maximum allowable yield that Heathrow was allowed to charge in 2015:

		£
<b>Specified yield for 2014</b>		<b>22.261</b>
RPI movement	2.5%	0.557
Value of X	-1.5%	-0.334
Forecast capital trigger payments		0.000
SQR Bonus		0.000
Cumulative development capital expenditure adjustment		0.000
Security cost pass through (S factor)		0.000
Business rate revaluation factor (BR factor)		0.000
2013/14 correction 'K' factor under recovery		0.143
<b>Forecast 2015 maximum allowable yield</b>		<b>22.627</b>

The following factors contribute to the calculation of the 2015 maximum allowable yield:

#### Forecast capital trigger payments

There were no forecast capital trigger payments for 2015.

#### SQR bonus

The bonus for certain service quality measures based on actual Q6 performance will continue to be recovered through the correction 'K' factor.

#### Cumulative development capital expenditure adjustment

There was no forecast development capital expenditure adjustment for 2015.

#### 2013/14 correction 'K' factor under recovery

<b>K factor analysis</b>			
Airport charges revenue 2013/14	a	£thousands	1,577,998
Passengers 2013/14	b	thousands	72,458
Actual yield		£	21.778
Forecast to recover 2013/14	c	£	21.923
Interest rate	d		0.318%
Forecast passengers 2015	e	thousands	74,066
<b>2013/14 correction 'K' factor = <math>\frac{((b*c)-a)}{e} * ((1+d)^2)</math></b>			<b>0.143</b>



## Maximum Allowable Yield - Actual vs Forecast

£	9 mo. 2014	2015	2016	2017	2018
Forecast maximum allowable yield	23.155	22.627			
Actual yield	23.111	22.560			
Variance	(0.044)	(0.066)			
%	(0.2%)	(0.3%)			

## Appendix B

This section provides a list of CAA forecasts in 2011/12 prices for the 9 month and four years duration.

**Figure B.9: CAA's Q6 passenger forecasts**

Millions	9 mo. 2014	2015	2016	2017	2018	Total
Passengers	55.4	72.0	72.7	73.4	74.2	347.7

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 (profiled yield)	1,130	1,449	1,444	1,428	1,417	6,869

Source: CAA

**Figure F.5: Forecast commercial revenue in Q6**

£ 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**

£ 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
<b>Total</b>	<b>282</b>	<b>354</b>	<b>347</b>	<b>349</b>	<b>348</b>	<b>1,680</b>

Source: CAA

**Figure E.5: Forecast OpEx in Q6**

£ 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**

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
CapEx	439	669	646	529	534	2,817

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 C

### Rolling forward the Regulatory Asset Base

Purpose and basis of the calculation

- B1 This Appendix specifies the detail of the formulae that the CAA intends to use 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, the 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 index<sup>1</sup> 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

<sup>1</sup> All Items (CHAW) index, source: Office for National Statistics (ONS).  
Heathrow (SP) Limited – Regulatory Accounts year ended 31 December 2015



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) <sup>2</sup> - (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

<sup>2</sup> Accrued capital expenditure with no adjustment for movements in working capital.  
Heathrow (SP) Limited – Regulatory Accounts year ended 31 December 2015

## Appendix D

### Service Quality Rebates and Bonus (SQRB)

#### Summary of 2015 SQRB performance

Category	SQR element	Target	Number of Passes	Number of Failures	Rebates paid £million
<b>Passenger satisfaction (QSM)</b>	Departure lounge seating availability	3.80	54	0	0.0
	Cleanliness	4.00	54	0	0.0
	Wayfinding	4.10	50	4	0.0
	Flight information	4.30	36	18	3.3
<b>Security</b>	Security	Publication only			
	Wi-Fi	Publication only			
	Central Search - less than 5 mins	95.00%	54	0	
	Central Search - less than 10 mins	99.00%	54	0	0.0
	Transfer search	95.00%	54	0	0.0
<b>Campus Passenger Operational</b>	Staff search	95.00%	54	0	0.0
	Control posts	95.00%	60	0	0.0
	Passenger Sensitive Equipment (PSE general)	99.00%	54	0	0.0
	Passenger Sensitive Equipment (PSE priority)	99.00%	54	0	0.0
	Arrivals baggage carousels	99.00%	54	0	0.0
	T5 track transit system - 1 train availability	99.00%	12	0	0.0
	T5 track transit system - 2 trains availability	97.00%	12	0	0.0
<b>Airline operational</b>	Stands	99.00%	53	1	0.1
	Jetties	99.00%	54	0	0.0
	Fixed electrical ground power	99.00%	54	0	0.0
	Stand entry guidance	99.00%	54	0	0.0
	Pre-conditioned air - T2, T3, T5	98.00%	36	0	0.0
	Pier service stand usage - T1, T2, T3, T4	95.00%	36	0	0.0
<b>Airfield</b>	Aerodrome congestion term		N/A	0	0.0
	<b>Total</b>		<b>943</b>	<b>23</b>	<b>3.4</b>
	<b>Total at risk</b>				<b>117.3</b>

**Note:** any difference between the cash rebates paid in this table and the value in the accounts is due to SQR post year end wash up and provision changes.

## Summary of 2015 SQRB rebates by terminal and element

Terminal	SQR element	Failures	Rebate per failure £thousands	Total rebate £thousands
1	Wayfinding	4	9	36
1	Flight information	6	9	54
4	Flight information	6	140	840
5	Flight information	6	394	2,364
5	Stands	1	130	130
<b>Total</b>		<b>23</b>		<b>3,424</b>

\*Rebate is dependent upon the number of movements impacted by the failure

Note: rebates paid are based on forecast airport charges. A post year end reconciliation to calculate rebates based on actual airport charges occurs and subsequent credits/invoices are issued.

## 2015 SQR Bonus

SQR bonuses	No. of months in which bonus achieved	Bonus (£million)
Departure lounge seating availability	0	0
Cleanliness	0	0
Wayfinding	0	0
Flight information	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

There was no SQR bonus earned in 2015.



## 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.

CAA certified changes in the required security standards	Impact of change (£million)	Per passenger
	£0	0.000
<b>Total</b>	<b>£0</b>	<b>0.000</b>